



Énergie NB Power



**Serving You...
Today and Tomorrow**

**2009/10
Sustainability Report**

Attn: The Honourable Craig Leonard, Minister of Energy

c.c.: The people of New Brunswick

Dear Sir,

I am pleased to present the 2009/10 NB Power Sustainability Report. With a focus on our environmental, social and economic performance over the past year, we feel this is a true snapshot of the innovation and forward thinking that drives today's NB Power.

Yours very truly,



Ed Barrett
Chairman, NB Power Board of Directors

On the Cover: Father Stephane Boudreau and his sons Alex and Jacob.



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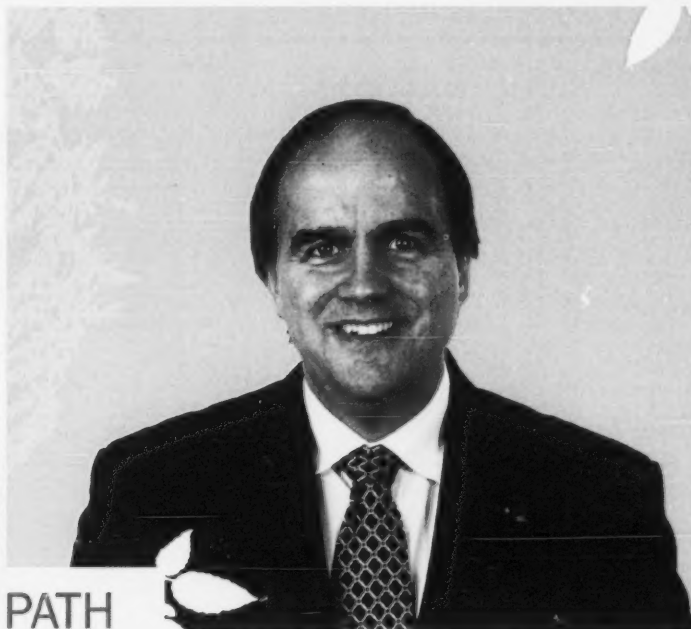
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ON A SUSTAINABLE PATH

Thank you for taking the time to read NB Power's second annual sustainability report, which highlights our social, environmental and economic performance for the 2009/10 fiscal year.

This was no doubt a very challenging year for us at NB Power which you will read about further in this report. We are proud to say that we rose to the challenge. We were once again recognized as one of the Top 100 Employers in Canada and some of the reasons for that accomplishment include initiatives to better serve you... our customer. They include:

- putting our 380,682 customers first by making decisions with customers in mind;
- launching PowerShift Atlantic, a first of its kind collaboration project that utilizes smart grid technology. This could enable us to implement additional wind or other renewable resources and reduce greenhouse gases;
- adding to our existing wind generation with the commercial operation of SUEZ Energy's Caribou Wind Park, located 70 miles west of Bathurst, in December 2009.

In receiving the Canadian Electricity Association (CEA) President's Award of Excellence for Employee Safety we are being recognized as looking after the physical health, mental fitness, and well-being of our employees who make decisions every day by putting our customers first. This also means successfully implementing our pandemic plan and H1N1 response for employees and members of the public; that is, both our direct and/or indirect customers.

Early in 2010, we introduced a new mission to *Proudly Serve our Customers* and a new Vision of *Sustainable Electricity: meeting the needs of today while ensuring tomorrow*. Every day we will be working to deliver results based on this new Mission and Vision.

Next year, we will be reporting on specific measures developed to reflect our objectives, all of which were developed with the customer in mind. These measures, such as benchmarking, will assist us to *Proudly Serve our Customers*.

As always, we welcome any feedback you may have on this report. Please send your comments, questions and suggestions to corporaterelations@nbpower.com.

Sincerely,

Ed Barrett
Chairman, NB Power
Board of Directors

Gaëtan Thomas
President and
Chief Executive Officer



Linemen at an outage in Blackville N.B.

Our Management Team

Our management team is comprised of New Brunswickers and long-time employees. Together, they're working hard to make the right decisions for our customers today and tomorrow.

Please note: There were several changes to the management team in the 2009 / 10 fiscal year. Below are the members as of the publish date.

President and CEO

Gaëtan Thomas

Vice President of Legal and Shared Services

Michael Gorman

Vice President of Generation (Nuclear and Conventional)

Blair Kennedy

Vice President of Finance and Chief Financial Officer (CFO)

Darren Murphy

Vice President of Human Resources and Corporate Relations and Communications

Paul Thériault

Vice President of Customer Service, Distribution and Transmission

Sherry Thomson

Board of Directors

Chairman
Ed Barrett

Members

Norman Betts
Normand Caissie
Bernard Cyr
Eloi Duguay
Jane Fritz
Louis LaPierre
John Mallory
Shirley Mears
Lise Ouellette
Robert (Bob) Youden
Gaëtan Thomas

Outgoing Members

Francis McGuire (Past Chair)
David Ferguson
David Johnstone
Graham Brown
Lise Caissie
Patrice E. Merrin

David D. Hay (Past President and Chief Executive Officer)

Committees

Audit Committee
Environment, Health and Safety Committee
Human Resources, Governance and Nominating Committee
Nuclear Oversight Committee

Complete biographies of our Management Team and Board of Directors are available in the About Us section of www.nhpower.com.



Our Generation Mix

At NB Power, we pride ourselves in our commitment to providing our customers with consistent, safe, reliable and sustainable energy at the lowest possible cost. We rely on our 15 generating stations powered by hydro, coal, oil, nuclear and diesel, as well as purchasing power, to bring electricity to over 380,000 homes and businesses across New Brunswick.

Nuclear

Point Lepreau Generating Station	(635 MW)
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Hydro

Milltown Generating Station	(3 MW)
Sisson Generating Station	(9 MW)
Nepisiguit Falls Generating Station	(11 MW)
Tobique Generating Station	(20 MW)
Grand Falls Generating Station	(66 MW)
Beechwood Generating Station	(112 MW)
Mactaquac Generating Station	(668 MW)

Thermal

Grand Manan Combustion Turbine	(29 MW)
*Grand Lake Generating Station	(52 MW)
Ste. Rose Combustion Turbine	(99 MW)
Dalhousie Generating Station	(299 MW)
Millbank Combustion Turbine	(397 MW)
Belledune Generating Station	(457 MW)
Coleson Cove Generating Station	(972 MW)

**Please note: The Grand Lake Generating Station was retired in February 2010.*

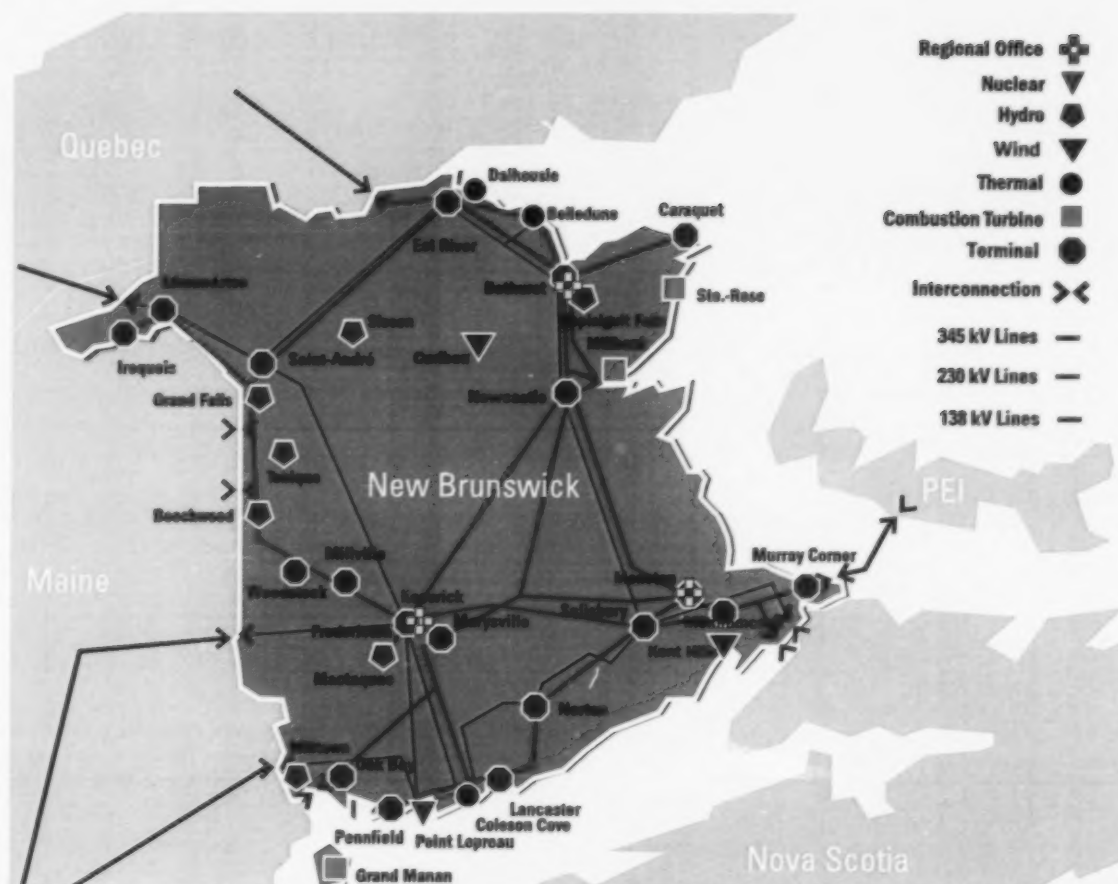
Power purchase agreements

In addition to our own fleet of generating stations, NB Power also has agreements in place for the purchase of electrical capacity and energy from suppliers in order to meet New Brunswickers' energy needs. These are called power purchase agreements (PPAs).

These agreements include purchases from renewable energy projects as well as some from our industrial customers with self-generation that periodically supply energy back on the system when their load is less than their generation.

These agreements ensure that we have the right balance of renewable energy as a part of our energy portfolio.

Contract	Fuel Type	Amount of energy	Agreement to purchase
Grandview Generating Station	natural gas	90 MW	All the capacity and electrical energy produced by a co-generation facility
Fraser Pulp and Paper	biomass	38.5 MW	38.5 MW capacity and energy from a co-generation facility
Trans Alta's Kent Hills Wind Farm	wind	96 MW	All the electrical energy of a wind generation facility
GDF Suez Energy's West Cape Wind Farm in PEI	wind	90 MW	90% of all the electrical energy of a wind generation facility
GDF Suez Energy's Caribou Wind Park near Bathurst New Brunswick	wind	48 MW	All the electrical energy of a wind generation facility
GDF Suez Energy's Caribou Wind Park near Bathurst New Brunswick	wind	51 MW	All the electrical energy of a wind generation facility to be constructed by third parties
Bayside Power	natural gas	263 MW	263 MW of output for five winter months (November to March) each year
Acciona (Lamèque wind project)	wind	45 MW	All the electrical energy of a wind generation facility



Did You Know?

- 15 - Number of generation facilities
- 3,829 - Installed net capacity (MW) (excluding the Grand Lake Generating Station)
- 20,607 - Total length of distribution lines (km)
- 2,209 - Import capacity (MW)
- 2,416 - Export capacity (MW)
- 383,896 - Number of customers (direct and indirect)
- 3 - Number of times NB Power has been named one of Canada's Top 100 Employers
- 2673 - Total number of people employed by NB Power (including NB Coal)
- 70,000 - Number of NB Power street lights in operation
- 60 - Number of nesting platforms NB Power has installed for ospreys
- 572,146 - Number of utility poles in New Brunswick (shared with Bell Aliant)
- 6,840 - Total length of transmission lines (km)
- 642 - Number of New Brunswick based businesses contracted by NB Power in fiscal year 2009 (valued at \$15,000 or greater)
- 10% - Percentage of new renewable energy required by 2016 under the Renewable Portfolio Standard. NB Power is well on our way to meeting this objective through initiatives such as our Power Purchase Agreements for wind energy and the development of community renewable energy projects.
- 32 % - Percentage of renewable energy NB Power is projecting after the RPS is completed in 2016.

Extraordinary Circumstances

The year 2009/10 presented unique challenges for NB Power and our employees, including:

Energy agreement with Hydro-Québec

On October 29, 2009, Premiers Shawn Graham and Jean Charest unveiled a proposed agreement under which Hydro-Québec would acquire most of the assets of NB Power. A memorandum of understanding (MOU) setting out the terms and conditions of the proposed transaction was signed at that time.

On January 20, 2010, the governments of New Brunswick and Quebec presented a revised MOU with the intent of finalizing the transaction on or before March 31, 2010. As part of the province's amended energy agreement with the Province of Quebec, Hydro-Québec would acquire the hydro system, the combustion turbine units at Millbank and Ste.-Rose, and the Point Lepreau Generating Station after it was commissioned. All remaining assets would be retained by NB Power, which would continue to own NB Power Holdco, NB Power Transco, and NB Power Disco. The balance of the NB Power Genco assets would also be owned by a new company that would be owned by the Province of New Brunswick.

These negotiations sparked a first-of-its-kind public debate, with thousands of New Brunswickers, as well as those in neighbouring provinces, participating in protests, media interviews and social networking sites. Though this was a challenging time for employees due to the volume of discussions that were taking place, they remained focused on serving our customers.

On March 24, 2010, the Government of New Brunswick announced it would not be proceeding with an energy agreement with Hydro-Québec. Premier Shawn Graham stated that a number of issues emerged that would have unacceptably taken away some of the value and increased some of the risks for New Brunswickers.

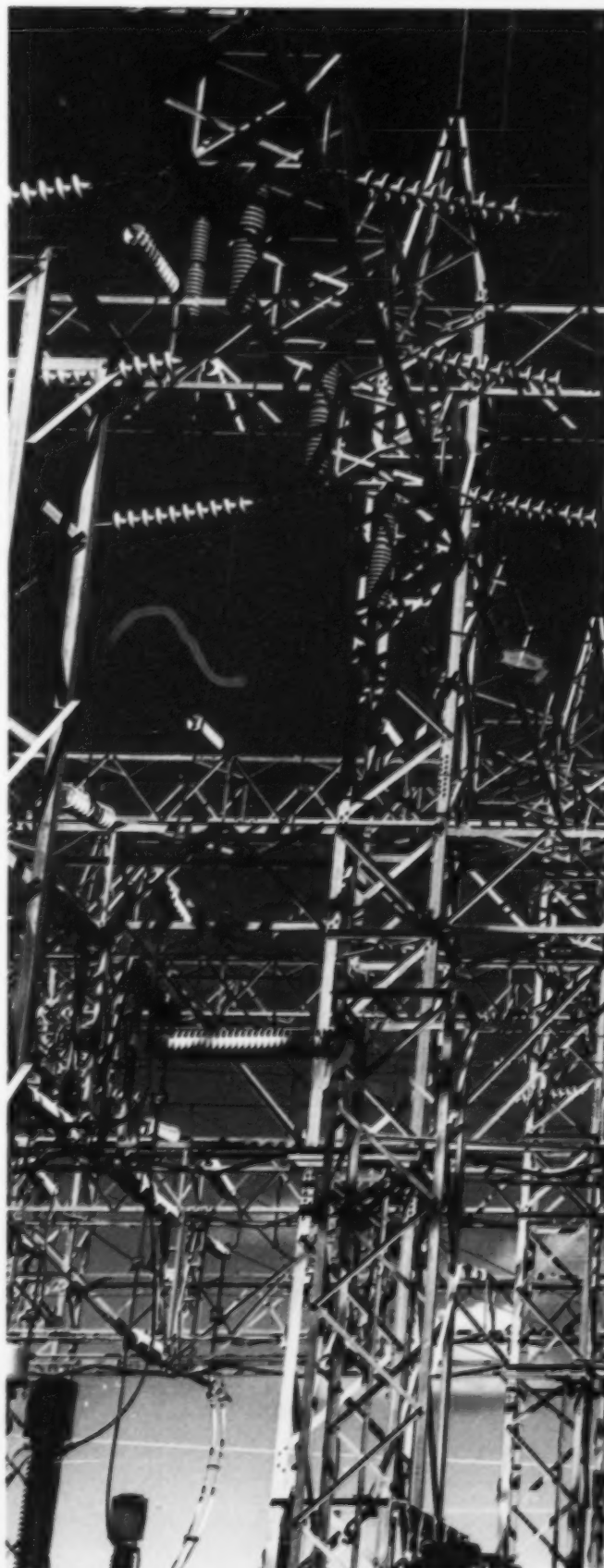
Safety incident at the Highbank Switching Station

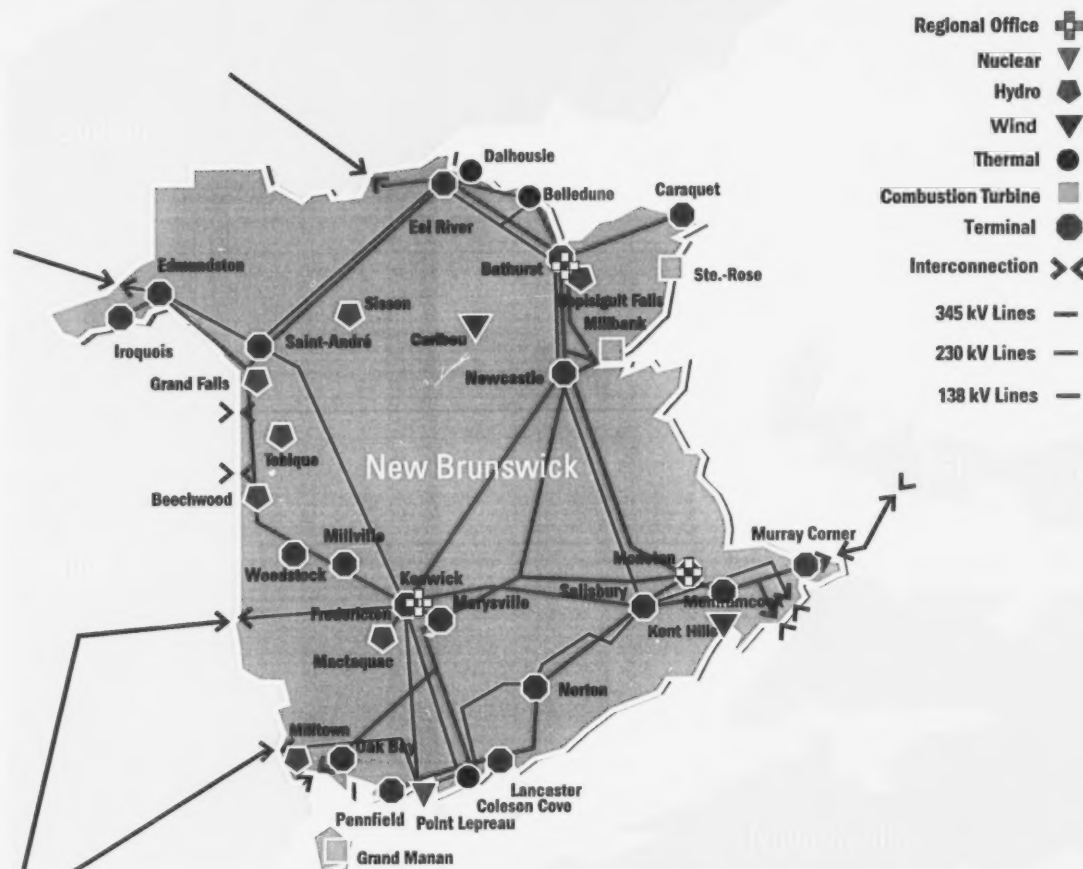
On March 9, 2010, there was a safety incident at the Highbank Switching Station north of Miramichi. An employee was performing work when an arc occurred, leading to significant injuries. The employee was medically assessed and transported to Halifax, Nova Scotia for on-going treatment. He underwent several surgeries and had been transported to a hospital in New Brunswick. He has since been released and is continuing to receive treatment for his injuries.

NB Power has supported the employee and his family through our Employee and Family Assistance Program while in Halifax and upon return. An Employee Wellness Officer is also in regular contact with the employee to ensure his needs are being met and to facilitate engagement with the workplace.

Safety awareness for both employees and customers is a top priority at NB Power. The incident is still under investigation by both WorkSafeNB and NB Power's Corporate Health and Safety team.

This event had a profound effect on employees across the province and served as an important reminder to keep safety in mind in everything we do, as there is nothing more important than making it home safely.





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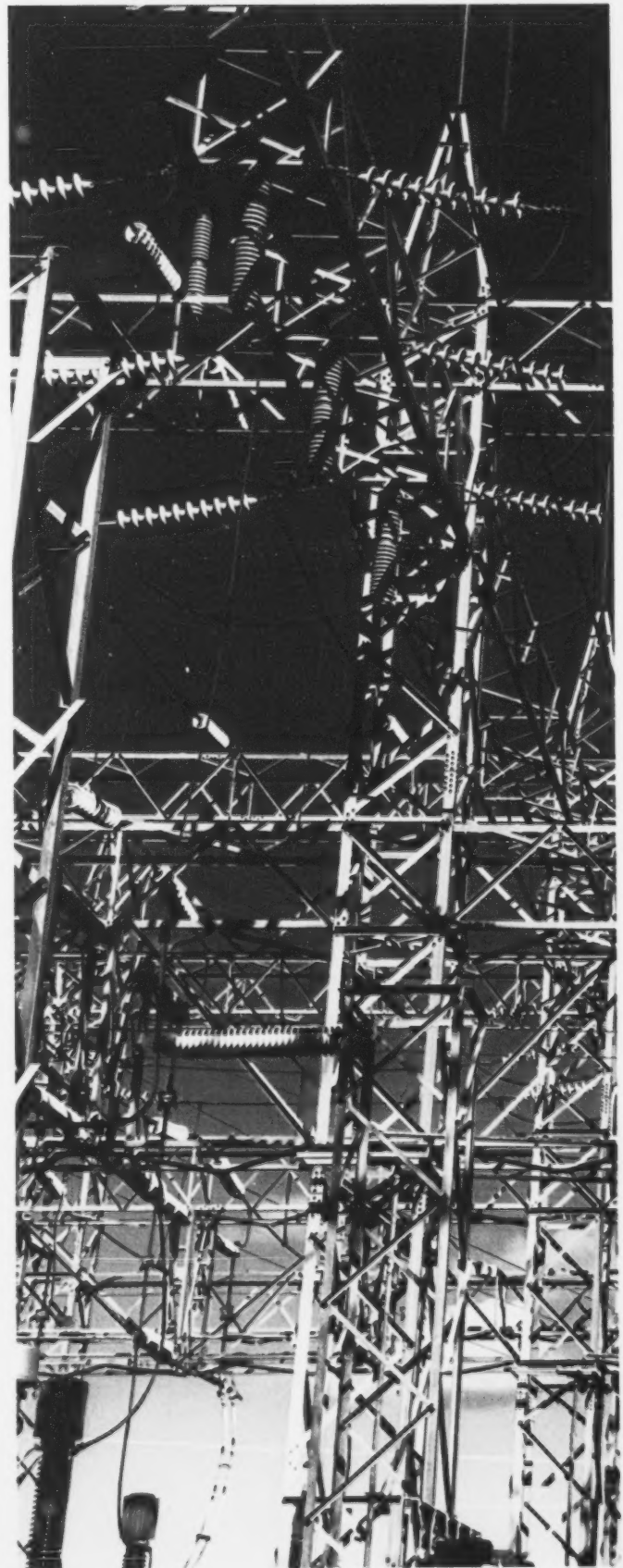
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The Point Lepreau Generating Station Refurbishment Project

The Point Lepreau Generating Station Refurbishment Project is underway and continues to be one of the top priorities for NB Power and Atomic Energy of Canada Ltd. (AECL).

The Station is the first of the world's fleet of CANDU-6 reactors to undergo a refurbishment of this nature. All projects of this magnitude face challenges – and this project is not unique in this regard.

The calandria tube installation of the retube activities is proving to be one of the most complex aspects of the Project.

Despite these challenges, employees continued to achieve major milestones throughout the year, including:

- completing the inspection of the reactor vessel, with the results confirming another 25 to 30 years of operation;
- successfully installing 760 upper feeders;
- the replacement of the generator seal oil system heat exchangers in an effort to improve generator efficiency and reduce our environmental footprint;
- NB Power Nuclear reaching more than 4.5 million person-hours without a lost time accident and AECL achieving 2.5 million person hours without a lost-time accident;
- removing all 380 pressure tubes from the reactor core; one of the most complex milestones of the Refurbishment;
- the safe arrival of the main generator rotor at the Port of Saint John from the Siemens factory in the United Kingdom. The main generator rotor was then inserted in its permanent location inside the generator stator;
- the safe arrival of the two remaining low pressure turbine rotors from the United Kingdom. The rotors were unloaded at the Port of Saint John and were transported by barge to Duck Cove where they were brought into the turbine building to be reinstalled; and
- reassembling the turbine generator.

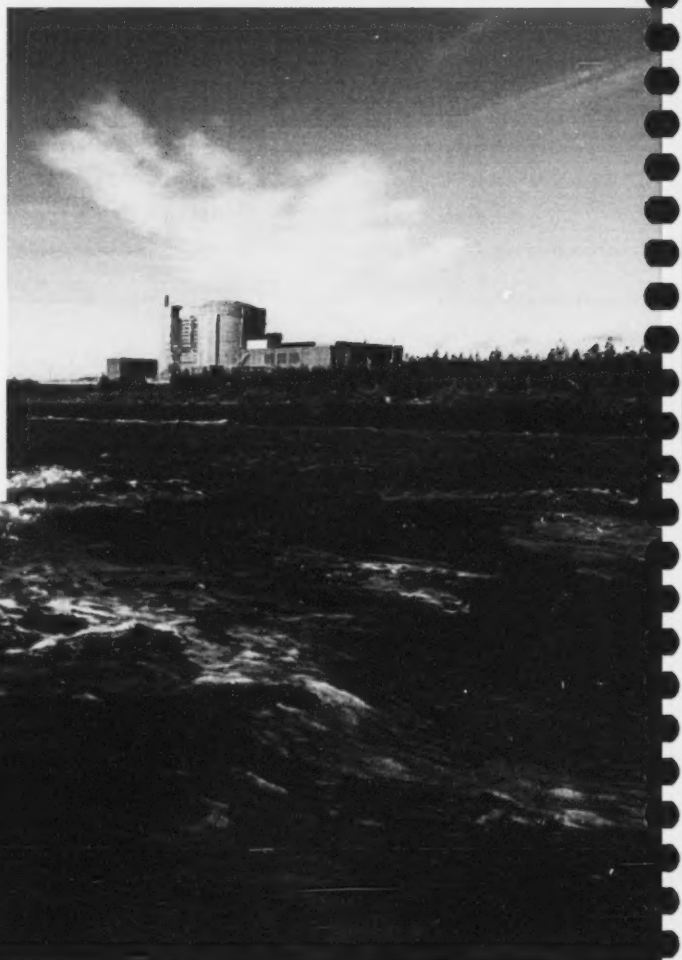
Employees and supplemental staff remain committed to this project and are confident in their ability to fulfill the commitment to complete this project safely and with quality. Refurbishing the Point Lepreau Generating Station will provide reliable operation for the next 25 to 30 years for our customers.



Where are we now?

On August 6, 2010, the government of New Brunswick issued a release proposing a mediation process be initiated to settle the question of continuing cost overruns on the Point Lepreau Refurbishment Project. They stated that AECL confirmed that the refurbishment will take another year or more to complete due to the challenges being faced with the retube activities.

As part of the solution process to determine the path forward, eight calandria tubes were removed and replaced to ensure that all joints at each end of the calandria tubes meet the seal tightness criterion. This is a step in the right direction. We have confirmed that 80 calandria tubes will need to be replaced at this time and we have started this process. AECL is continuing to analyze the results of the successful installation of the eight calandria tubes in order to determine the correct solution for the successful completion of the remaining calandria tubes.



Staying Connected with our Customers

Community Committees

At NB Power, we understand that we have an important role as community leaders and stewards. As such, we have implemented a number of Community Relations committees around the province. These committees are comprised of employees and members from the community – educators, municipal leaders, environmental enthusiasts, first responders, safety experts and community leaders. The committee is co-chaired by a member of the community who is selected by the community members of the committee and an NB Power employee. The purpose of these committees is to provide a forum to further gather and share information.

We currently have committees at the following generating stations and we plans are underway to implement additional committees in the near future: Belledune, Dalhousie, Grand Lake, Point Lepreau and Coleson Cove.

“I am very pleased to sit on the NB Power Community Relations Committee because as a result I get to know exactly what is going on from the people who are directly involved and experts in their field. Otherwise I would only get the rumours that are going around town, thus I am able to dispell some of these rumours and give them the correct information.”

- Brenda Firlotte, Co-Chair of the Community Relations Committee in Dalhousie

New Brunswick Home Shows 2009

For years, employees have participated in home shows to build relationships and provide face-to-face customer service. In 2009, NB Power participated in a number of shows across the province between March 13 and May 10.

NB Power's theme for the shows was "Connected to You", which is about serving customers and having a positive effect on their day to day lives. Representatives on site at the shows had computers available so that they could provide real-time, face to face customer service. Customers were encouraged to sign up for paperless billing on site.

The Customer Experience Index

NB Power's Customer Research and Business Planning department has spent the past five years working with a customer research firm and our Corporate Relations and Communications department to conduct NB Power customer research.

Together, they developed a new residential customer satisfaction index called the Customer Experience Index (CEI). Indexes of this nature are standard in the utility industry. NB Power attributes or key drivers of customer satisfaction were compared with other utility industry jurisdictions, including: Canadian Electricity Association (CEA), JD Power, and other top performing electric utilities in North America.

Calls are conducted on a quarterly basis to ask NB Power customers about their level of customer satisfaction – opinions and attitudes of several attributes. The information gathered through this research allows NB Power to better understand customers' needs and expectations.



Nick Boles at a home show explaining water heaters.

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Strengthening our Partnerships

SHAD Valley

In 2009, NB Power renewed its partnership with Shad Valley, a national summer enrichment program for youth, focusing on the sciences, technology and entrepreneurship, for an additional five years. As part of the renewed agreement, which will run until 2014, Shad Valley will provide NB Power with four students to participate in the one-month internship program each year beginning in 2009 through to 2014.

They will also assist NB Power in hiring four alumni for internships at NB Power.

Lights Across the Province initiative

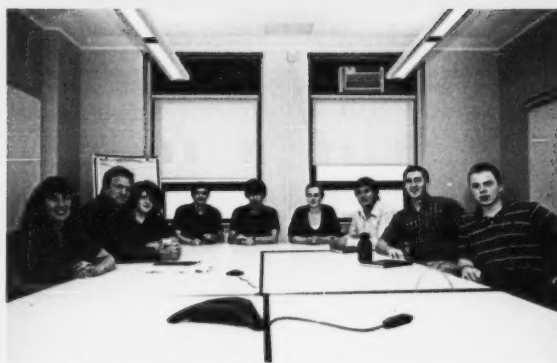
NB Power was proud to once again support the New Brunswick Provincial Capital Commission (NBPCC) and their Lights Across the Province initiative, which helps encourage municipalities to use LED lights for their holiday lighting.

Since it was introduced, 78 communities have participated in this initiative and a total of 3905 strings of LED lights have been distributed across the province. The lighting of the large tree in front of the New Brunswick Legislative Assembly on December 4, 2009 was a province-wide celebration, as communities across the province joined in by lighting their municipal trees the same evening.

Credit Counselling Services of Atlantic Canada

For the past few years, NB Power and Credit Counselling Services of Atlantic Canada (CCSAC) have been working together to help customer service representatives with customers experiencing financial difficulty.

On January 25, 2010, NB Power and CCSAC launched a radio trivia partnership called "Budgeting 101." Radio stations around the province held daily trivia contests and offered their listeners the opportunity to win a \$50 NB Power gift card if they could correctly answer questions relating to personal budgeting and finances. Listeners were also encouraged to visit the radio stations' websites for the "Budgeting 101" tip of the day and NB Power's website to read about conservation tips or our self-serve options.



Shad Valley students participate in a roundtable about energy conservation.

Post-secondary institutions

NB Power has been piloting partnerships with the engineering faculties of the University of New Brunswick and the Université de Moncton to attract new employees. The goal is to fulfill the casual needs with students and demonstrate that NB Power is an employer of choice. NB Power offers them a smooth transition between school and work by being involved with a Personal Growth Plan based on workplace readiness, the Pathfinder tool and our human resources strategy.

Centre For Nuclear Energy Research

The Centre for Nuclear Energy Research has partnered with NB Power to create a Nuclear Readiness Program that will help all new employees at the Point Lepreau Generating Station to understand the basic function of a nuclear energy worker. Partnership students from the Station are piloting this new learning approach.



Linemen, Central Region.

Having People at Their Best

NB Power's First Annual Learning Day

On September 22, 2009, NB Power hosted our first annual Learning Day. Employees were asked to consider what they wanted to learn, what they needed to learn and how they wanted to learn related to them and NB Power. On September 22, 2009, employees took some time, even if it was just 15 minutes, to learn more about something that interested them.



Cindy Morehouse works on her personal learning plan with Karen Taylor.



Fredrick Wangabomwengabo of the Fredericton Multicultural Association, Paul Thériault -Vice President, Human Resources and Xenia Morales in the Head Office lobby creating awareness about racial discrimination.

Celebrating racial diversity

On March 17, 2009, NB Power employees were encouraged to take a moment to think about how they can support the elimination of racial discrimination in their community and in the workplace. The event was in support of the United Nations' International Day for the Elimination of Racial Discrimination on March 21.

NB Power's Pandemic Planning Committee monitors and responds to the H1N1 situation

Due to their extensive planning and training, NB Power's Pandemic Planning Committee was able to effectively respond when the H1N1 virus started spreading throughout Mexico, US, Canada and worldwide.

Members gathered to share current information on the virus on a global, national and provincial level in order to make the best possible decisions to protect employees and their families. Daily updates were sent through email and our emergency response line, keeping employees up-to-date on what they needed to know about their well-being.

In November 2009, NB Power's Pandemic Planning team assisted the Province of New Brunswick by holding three public immunization clinics. More than 700 members of the public were immunized at these clinics. The Department of Health has thanked NB Power for its assistance during its critical stage of immunizations.

In December, more than 2,400 employees at 22 locations across the province were immunized in 12 days.

Members of the team have been contacted by other utilities and companies seeking advice, strategies and information about the NB Power H1N1 response.



Kim Gordon and Erik Matchett look at cases of H1N1 across North America.

Lending a Helping Hand

Employees find ways to support the people of Haiti

Employees sprung into action to help the people of Haiti following one of the worst natural disasters in history. Together, they supported many different initiatives and charities, contributing to relief and recovery efforts in Haiti, including cash donations to Team Canada Healing Hands (in which the International Brotherhood of Electrical Workers donated \$1.00 per member), donations of clothing, footwear and supplies and the sponsorship of children.

Employees supporting local charities

Our employees are known for giving back to their communities and helping those in need. In 2009, they spent countless hours outside of work supporting many worthwhile causes, including:

- The Canadian Breast Cancer Foundation
- local food banks
- The Dragon Boat festival in support of the St. Joseph's Hospital Foundation
- The United Way
- The Salvation Army
- The Restigouche Family Services Department
- The annual Dalhousie Christmas Parade
- The Christmas Angels fundraiser
- The Minto Community Resource Center
- CBC's Harbour Lights Campaign
- The Multiple Sclerosis Society
- The Kidney Foundation of Canada
- The Canadian Red Cross
- supporting literacy at the Keswick Ridge School
- sponsoring a child through Plan Canada
- supporting local families in need



Frances Seely, a member of the NB Power for the Cure team, shows off chilli sold at Head Office in support of the TCHH's work in Haiti.



Special recognition was given to NB Power employee Sue Leslie on December 11, 2009, when she was named Maritimer of the Week by CTV's Live at 5 for her long-time involvement in the Christmas Angels fundraiser. The money she raised was used to purchase gifts for children whose families are clients of the Fredericton Food Bank. Elizabeth Thurber presents the award. (right)



Focusing on Safety

Public Safety

At NB Power, the safety of our customers and employees is our highest priority. That's why, in addition to our own safety programs, we've joined forces with other community organizations to educate New Brunswickers about electricity.

We've done this because we understand that the unsafe use of electricity can be deadly. By working together and reaching out to people in the workplace, home, and everywhere they come into contact with electricity, we know we can dispel myths, promote better understanding and help prevent electrical accidents, injuries and death.

In 2009, NB Power launched our annual safety awareness campaign to help educate and protect children across New Brunswick.

XCord Game Zone is an online game that focuses on being safe around electricity while engaging children through a variety of interactive games. The popularity of this game is demonstrated by the results. With games being played more than 20,000 times throughout the school year, our safety messages are reaching our children throughout the province.

Specially trained members of the NB Power team are also available to visit classrooms across the province with targeted presentations that promote understanding and minimize the risk of electrical contact injury.

In addition to educating children, we also offer the following services to New Brunswick contractors:

- Locating and marking underground wiring
- De-energizing and insulating overhead lines
- Raising overhead lines
- Providing warning signs for hazard zones

The effectiveness of our safety campaigns is demonstrated through the significant reduction in the number of public contacts since 2006 (see diagram).

New emergency notification system for Point Lepreau-area residents

In a joint venture between the Department of Public Safety's New Brunswick Emergency Measures Organization (NB-EMO) and NB Power, Point Lepreau-area residents were given a more responsive emergency notification system in 2009.

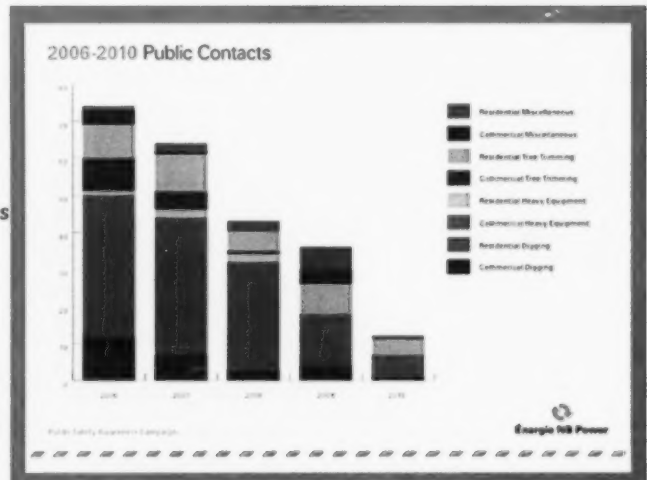
The Lepreau Alerting System gives residents the option of receiving emergency notification concerning the Point Lepreau Generating Station by fax, phone, cell, email, or SMS (short message service). In the event of an emergency, it will deliver a message in the residents' order of preference, and continue to do so until it receives confirmation that the message has been received.

Tobique First Nation and NB Power work together to safely demolish vacant fish rearing facility

In early February 2010, members of the Tobique First Nation and NB Power employees formed a partnership to safely complete the demolition of a vacant fish rearing facility located just below the Tobique Generating Station.

In the fall of 2009, NB Power performed an inspection of the facility and it was determined that there were several safety concerns with the facility including material falling down, open holes and debris around the site. It was determined that the buildings would have to be demolished and the site cleaned up.

Several meetings were held amongst the Tobique First Nation and NB Power to get a better understanding of what was required for a project of this nature. A bid was submitted, reviewed and awarded, with work beginning in late December 2009.



Tobique First Nation and NB Power work together to safely demolish vacant fish rearing facility.

Going Beyond the Call of Duty

NB Power employees recognized by Governor General of Canada for rescuing injured driver

On April 27, 2009, five NB Power employees were recognized for saving the life of an injured driver in Northern New Brunswick.

On November 10, 2004, the employees were driving between Bathurst and Eel River when they came upon a two-vehicle accident. A van had rolled onto its roof and was on fire. The employees jumped into action and used fire extinguishers to get the flames under control until they could pull the man free from the van. The crew attended to the driver and provided first aid until emergency personnel arrived.

"These men represent courage and bravery of the highest order," said Lieutenant-Governor Chiasson, in presenting the award of behalf of Her Excellency, the Right Honourable Michaëlle Jean, Governor General of Canada. "I am proud to recognize their efforts, because their actions demonstrate leadership, honour and the basis of our caring society."



Luc Bujold - Power Line Technician, Daniel Doiron - Supervisor - Transmission Line Maintenance, René Doucette - Power Line Technician, Rod Trenhelm - Crew Leader and Glen Worrall - Power Line Technician with a Commendation for an act of great merit in providing assistance to others in a selfless manner.

Employee recognized by Fredericton Police

An NB Power meter reader, who is former member of the Fredericton Police Force auxiliary, was accompanying a former colleague on a weekend patrol in the summer of 2009 when a man needed medical attention. He used his first aid training to save the man's life by helping to control bleeding from an injury until emergency officials arrived.

The employee was awarded a certificate of merit for his actions by the Fredericton police. The certificate goes to a citizen when, on their own initiative, and in the face of actual or anticipated danger, assists the police in preventing a crime, apprehending or attempting to apprehend an offender, or makes a life-saving attempt.

NB Power recognizes employee safety

In 2009, several safety awards were distributed to employees in recognition of their efforts. These include:

A Forestry Technician, who ran outside when he heard fire engines outside of his home. Once outside, he saw a fallen tree on one of the power lines. The employee jumped into action, clearing people away from the wires.



From left: Fredericton Police Chief Barry MacKnight, Trevor Smith and City Councillor Scott McConaghy, who is chairman of the public safety and environment committee.

Transmission Line Designer, who was traveling from Fredericton to Riverview when he came upon the scene of a horrific car accident on the Trans-Canada highway. He immediately took action, helping the first responder locate family members. Amazingly, none of the passengers were seriously injured. Paramedics who were in the area for training stopped at the scene and administered first aid using the kit from the NB Power vehicle. After the incident, the employee drove the family to a nearby gas station, where family members picked them up.

The Transmission Services group, who received the Troy Hicks Memorial Award for two years in a row. The Troy Hicks Award was created in memory of Troy Hicks, an NB Power Line Worker who was electrocuted on the job November 7, 1992. It has been awarded annually since 1997 by NB Power to recognize the overall best safety performance by a Distribution region or Transmission Services Department, based on their Joint Health and Safety Committee (JHSC) meetings, number of loss control meetings, frequency of lost time accidents (LTA) and severity of LTA.

Investing in Clean Energy

Completion of the Caribou Wind Park

In October 2009, the Caribou Wind Park, located 70 miles west of Bathurst, began operation. The wind farm, operated by SUEZ Energy, has 33 turbines and a 99-megawatt capacity, which is enough to power as many as 19,000 New Brunswick homes. Each turbine consists of an 80-metre tower, 45-metre long blades and a nacelle that is the size of a bus.

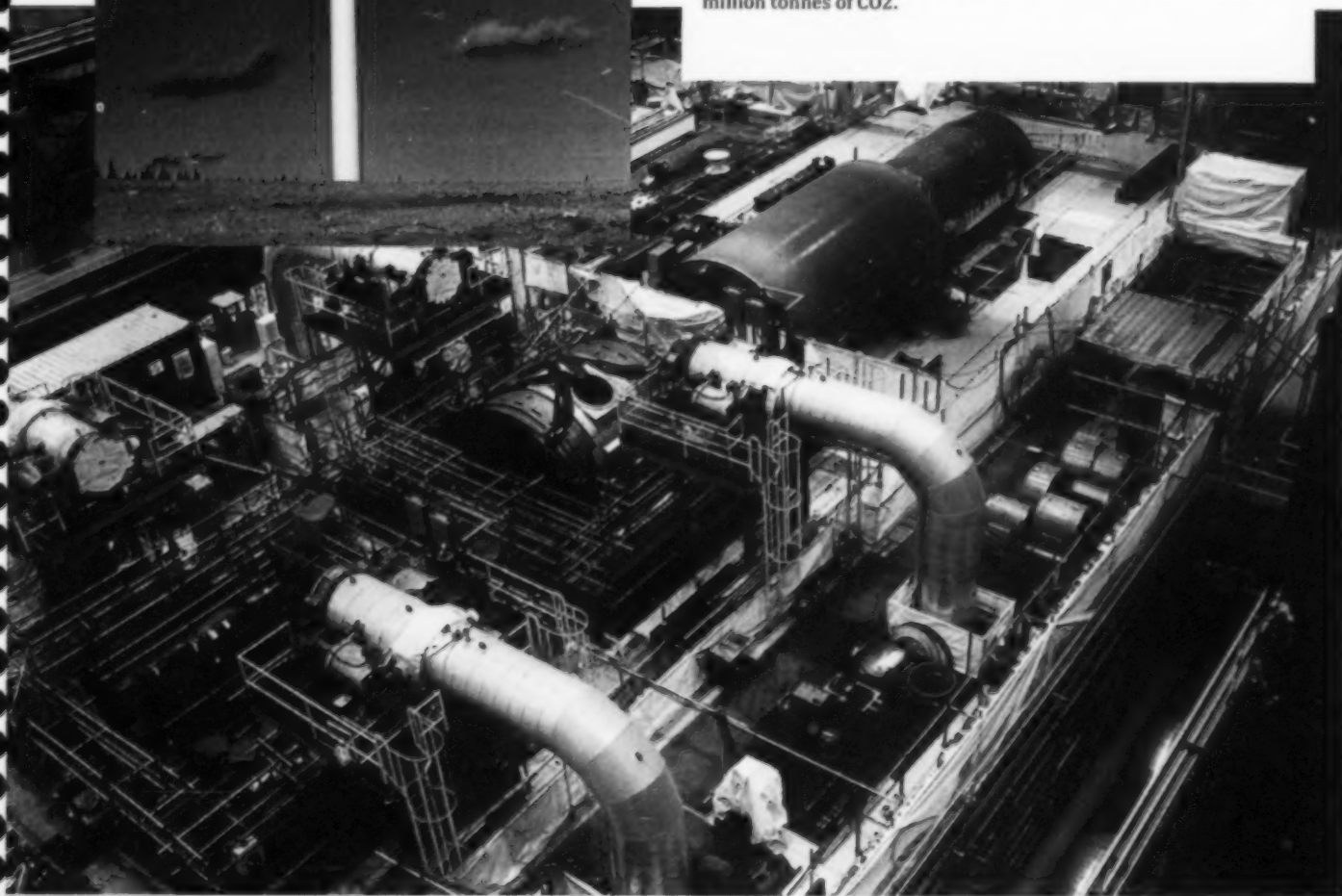
Kent Hills Wind Farm grand opening

The official grand opening for the Kent Hills Wind Farm, operated by TransAlta Wind, took place on May 11, 2009.

The 96-megawatt wind farm, located 32 kilometres south-southwest of Moncton, produces enough electricity to power approximately 17,000 homes. This represents a reduction of 280,000 tonnes of greenhouse gases that would otherwise be produced yearly to generate that amount of electricity.

The Point Lepreau Generating Station

The operation of the Point Lepreau Generating Station also contributes significantly towards the goal of limiting CO₂ / greenhouse gas emissions in New Brunswick. Since commercial operation in 1983, the energy produced by the Point Lepreau Generating Station has generated a cumulative total of over 114,963,000 MWh electricity, displacing the equivalent of about 162 million barrels of oil, averting the emissions of about 88.6 million tonnes of CO₂.



Finding Innovative Solutions

The Maritime Provinces Customer Load Control for Wind Integration Project
NB Power will be investing approximately \$3.6 million in-kind towards a four-year smart-grid pilot project entitled "The Customer Load Control for Wind Integration Project".

This project was one of the 19 projects selected for funding from the Government of Canada's Clean Energy Fund in January 2010. In addition, the Department of Environment will also be providing NB Power with \$2.4 million to support this project.

In collaboration with Nova Scotia Power, Maritime Electric, Saint John Energy, as well as the New Brunswick System Operator and the University of New Brunswick, the project will utilize an innovative technology cluster to provide fast acting ancillary services for wind integration, by controlling commercial and residential loads without affecting the customer.

This pilot project is a first of its kind and if successful will enable us to implement additional wind resources, reduce greenhouse gases while continuing to provide our customers with seamless energy.

Where are we now?

The Maritime Provinces Customer Load Control for Wind Integration Project has been renamed 'PowerShift Atlantic'.

The name PowerShift Atlantic was selected to recognize the fact that they are exploring the potential to shift to a new type of power system.

On July 23, 2010, the Honourable Keith Ashfield, Minister of National Revenue, Minister of the Atlantic Canada Opportunities Agency and Minister for the Atlantic Gateway, announced that PowerShift Atlantic will receive up to \$15.9 million through the Natural Resources Canada (NRCan) Clean Energy Fund. NRCan will be monitoring the project as there is great potential to expand this program to the rest of Canada if it is successful.



Gaëtan Thomas of NB Power, Alan Richardson of NS Power, MP Keith Ashfield and Dr. Liuchen Chang of UNB pose for a photo after the event.

**POWER
SHIFT** ATLANTIC
ATLANTIQUE
An energy research project • Un projet de recherche sur l'énergie

Reducing Emissions

Hybrid Vehicles

In 2009, seven new Chevrolet Malibu hybrids joined ranks with NB Power's 10 Honda Civic hybrids and one Chevrolet half ton pickup truck.

Combining the cleaner energy of an electric motor with the long range capacity of a gasoline engine makes hybrids a smart choice for NB Power's fleet. One feature of hybrid vehicles is that the gasoline engine is shut off automatically when the car stops. This also helps in saving fuel and makes them very quiet while stationary. The gasoline engine is automatically turned on when you step on the accelerator pedal.

Hybrids emit lower toxic emissions compared to conventional gasoline-powered vehicles. This makes them environmentally friendly, causes less pollution and releases less carbon dioxide into the atmosphere.

Fuel Reduction Strategy

NB Power has embarked on a two year project in partnership with Natural Resources Canada and the research firm FPIInnovations to help reduce CO2 emissions from NB Power's fleet of vehicles.

This project has several objectives in order to help reduce our environmental footprint, including:

- understanding how the fleet is consuming fuel;
- developing a program to reduce fuel use with NB Power vehicles;
- developing fuel efficiency-based purchasing options for the fleet of NB Power vehicles;
- developing a smart driver training program for all NB Power vehicle operators;
- educating all NB Power vehicles operators on methods to reduce fuel consumption; and
- introducing a new vehicle idling policy.

In 2009, we achieved several milestones including finalizing contracts with both the federal government and FPIInnovations to begin the project, identifying 25 trucks to participate in the project, as well as selecting the hardware to be installed in the vehicles in order to track consumption.



Closure of the Grand Lake Generating Station and NB Coal Ltd.
In September 2009, NB Power announced that the Grand Lake Generating Station would close when its operating license expired in June 2010. As a result of its only customer ceasing operations, NB Coal Ltd. closed in December 2009.

While these had been strong, reliable assets for NB Power, they had come to the end of their operating life. The Grand Lake Generating Station was an aging facility and faced many environmental and economic challenges. Due to the nature of coal mined in Minto, pending environmental regulations made it uneconomical to continue operation of NB Coal and the Grand Lake Generating Station beyond its current operating license.

The closure of the Grand Lake Generating Station will lead to a reduction of approximately 300,000 tonnes of CO₂, 22,000 tonnes of SO₂, 850 tonnes of NO_x, 90 tonnes of mercury and 80 tonnes of particulate matter each year.

NB Power worked closely with employees and members of the community to inform them of the decommissioning activities related to the closure.

“Throughout this process, NB Power was very flexible and we worked together to ensure that this was a smooth transition for me,” she said. “I am very pleased that I was encouraged to pursue this new opportunity and was given training and mentorship along the way. Employees at the Grand Lake Generating Station are like family and I am glad that as part of my new role, our work continued to keep us connected.”

Heidi Northrup worked in the Chemical Control Department at the Grand Lake Generating Station for more than 16 years. She was seconded to the Transmission department in the fall of 2008 and is now a full-time Regulatory and Environmental Coordinator in Fredericton.

Earth Hour

On Saturday, March 27, 2010, NB Power encouraged all New Brunswickers to participate in Earth Hour, an initiative aimed at raising awareness on climate change and the impact that each individual can have in making a change.

New Brunswickers rose to the challenge and reduced their electricity consumption by 18 megawatts for the hour. This is equal to turning out about 360,000 lights.

Arbor Day

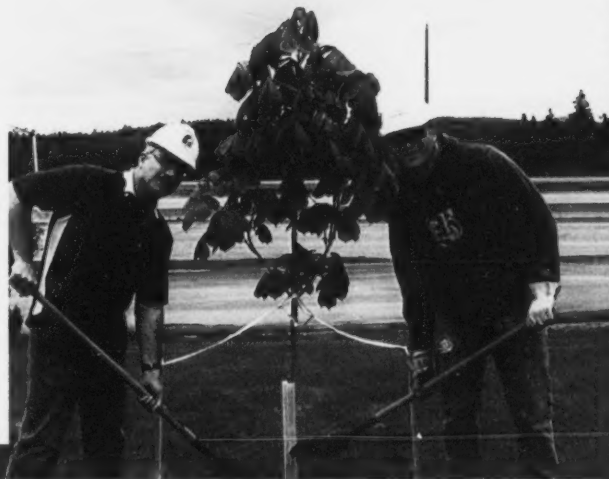
2009 marked the 19th consecutive year that NB Power employees have demonstrated their commitment to their communities and the environment by celebrating Arbor Day.

Trees help the environment by removing CO₂ from the air, producing oxygen and reducing pollutants and soil erosion. The “green spaces” created by trees in an urban setting can have further benefits by increasing property value, filtering the air and even providing habitat for small birds and animals.

In addition to helping the environment, Arbor Day is also a great opportunity for NB Power to work with the public and provide them with the information concerning planting underneath overhead power lines. By taking a proactive planning approach, the benefits include protecting the public, keeping the lights on and contributing to the well-being of our communities.



Heidi Northrup



The Rothesay District Office participated in Arbor Day by having Stephen Law, Vegetation Management Supervisor, and Jason Demerchant, summer student (Stores), plant a Chestnut tree on the grounds outside the office.

Educating Our Youth

Second Annual Earth Day Conservation Education Challenge

NB Power is committed to educating customers about the importance of energy conservation, and one way to do that is by connecting with New Brunswick youth.

In February 2009, NB Power launched the Second Annual Earth Day Conservation Education Challenge. Grade six students across the province were encouraged to demonstrate how their class would take measures to conserve electricity or demonstrate knowledge about how renewable energy projects can benefit New Brunswick. A total of 18 schools across New Brunswick received Earth Day awards.



Quispamsis Middle School students display their cheque from NB Power's Earth Day Conservation Education Challenge.

Fundy High School Pilot

In 2009, NB Power worked with District 10 School Board to support a new independent study class at Fundy High School in St. George. Students in the class worked on a project called Generation Energization.

In June, two grade 12 students at Fundy High School presented their findings from a four-month in-depth study on ways to save energy at the school. The students gathered extensive data from various parts of the school and were able to determine where large quantities of energy were being wasted. After completing an audit of two-thirds of the school, they were able to recommend ways that Fundy High School can reduce its energy consumption.

Badge Program for Guiding and Scouts associations

NB Power's Corporate Translator took home the gold medal for our employee Conservation Olympics, in which employees were asked to look for ways to engage schools, employees, communities and customers in initiatives related to conservation.

NB Power's Account Manager worked with the winner to develop a program for various levels of the two organizations - Sparks / Beavers, Brownies / Cubs, Guides / Scouts, Pathfinders / Venturers and Rangers / Rovers / Adults.

In March 2010, the 3rd Woodstock Scouts became the first Scout troop in New Brunswick to complete the challenge. The winner's own Unit, the 3rd Nashwaaksis Sparks, participated in the program by working with the 1st Nashwaaksis Guides. In addition, the 14th Moncton Pathfinders completed the necessary requirements to earn badges.



Three members of the 3rd Nashwaaksis Sparks celebrate their Conservation Challenge badge.



“We decided to have our troop participate in the Electricity Conservation Challenge because, like most Scout Troops, we feel strongly about protecting the environment. We wanted our boys to become more aware of the amount of power it takes to run household items and we also thought it would be interesting to explore some of the renewable energy sources such as wind, tidal and solar energy... Our sincere thanks to NB Power for developing this activity which can be completed by Beavers/Cubs/Scouts/Venturers/Rovers and their counterparts in Guiding.”

- Scout Leader Debra Daye

Keeping an Eye on Things

Radiation Monitoring

Our Health Physics Department employees are responsible for managing our Environmental Radiation Monitoring Program at the Point Lepreau Generating Station.

In 2009, there were 1943 analyses performed on 1349 samples to monitor environmental radiation around the Point Lepreau Generating Station and across the province in general. There were 628 analyses performed on 402 other samples, including 439 analyses on 293 Quality Assurance samples.

The analyses indicated that the radiation dose from the Point Lepreau Generating Station emissions continued to be well below the public dose limit (1000 microsieverts per annum), and also well below the design and operating target for the Station (50 microsieverts per annum).

To obtain a copy of the 'Environmental Radiation Monitoring Data 2009' report, please contact Kathleen Duguay, Manager of Public Affairs, at 506-659-6433.

Estimates indicate that the most exposed people received 23.5 microsieverts from the Point Lepreau Generating Station releases over 27 years. The average exposure an individual received from radioactive material in nature is 2000-5000 microsieverts per year. Therefore, the most exposed people near the Station receive the same amount of radiation dose every two to four days from nature that they received from the Station releases over 27 years.

These numbers represent a conservative (high) estimate of the actual radiation dose received by the most exposed members of the public due to releases of radioactive material from the Point Lepreau Generating Station. Releases are controlled and monitored continuously.

Mactaquac Generating Station AAR Project

The concrete structures of Mactaquac Generating Station are affected by a chemical reaction called alkali aggregate reaction (AAR). AAR causes concrete to expand thereby placing stress on embedded parts and misaligning large operating components. The AAR problem was discovered in the mid-1980s.

Since that time, NB Power has undertaken an extensive maintenance program to ensure the continued safe, reliable operation of the plant. A project team of NB Power employees and consultants is responsible for the remedial work. Oversight of their work is provided by an independent board of review (international experts) which reports regularly to NB Power's senior management.

This challenge is not unique as there are 140 hydro structures world-wide facing the same issue.

National Benchmarks

NB Power has been an active and engaged participant in the Environmental Commitment and Responsibility (ECR) Program. The program demonstrates an industry commitment to environmental performance improvement and the implementation of an Environmental Management System (EMS) at member utilities.

A summary of NB Power's Sustainable Development Indicators for 2009 is located below. You can also read more about the CEA's sustainable electricity program by visiting <http://www.sustainableelectricity.ca/en/program-overview.php>.



2009 Sustainable Development at a Glance

Overview

NB Power contributed approximately two percent of the total generation in Canada during 2009. NB Power's generation mix was 31.3 % hydro, 68.7 % conventional steam. Nuclear generation was not available as a result of the refurbishment of the Point Lepreau Generating Station. The Canadian electricity generation mix for 2009* (Statistics Canada, Survey 2151) was 63.2 % hydro, 17.4 % conventional steam, 14.8 % nuclear, 4.1 % combustion turbine and 0.3% wind. *Please note: these numbers may not total 100 per cent due to rounding.*

Sustainable Development Indicators for 2009

Environment	CEA	NB Power
Total Gross Annual SO ₂ Emission (tonnes)	377,372	30,320 (8.0%)
Mass Gross SO ₂ Emitted Per Unit of Net Fossil Generation (g/kWh)	4.14	4.44 (above the average)
Total Gross Annual NO _x Emission (tonnes)	166,744	10,700 (6.4%)
Mass Gross NO _x Emitted Per Unit of Net Fossil Generation (g/kWh)	1.83	1.57 (below the average)
Total Gross Annual PM ₁₀ Emissions (tonnes)	7,957	112.8 (1.4%)
Total Gross Annual PM _{2.5} Emissions (tonnes)	3,214	86.5 (2.7%)
Total Gross Annual Mercury Emission (kilograms)	1,521	108 (7.1%)
Mass Gross Mercury Emitted Per Unit of Net Fossil Generation (kg/TWh)	16.60	27.8 (above the average)
Number of Priority Spills	105	3 (2.9%)
Total Gross Annual Direct CO ₂ eq Emissions from Fossil Generation (tonnes)	88,535,560	5,760,000 (6.5%)
Mass Gross CO ₂ eq Emitted Per Unit of Net Fossil Generation (kg/kWh)	0.97	0.844 (below the average)
Mass Gross CO ₂ eq Emitted Per Unit of Net System Generation (kg/kWh)	0.29	0.578 (above the average)
Total kg of SF ₆ Used for Maintenance Purposes (topping up)	6,196	21.9 (0.4%)
Total inventory of high level PCB material in storage (tonnes)	25	0
Total inventory of low level PCB material in storage (tonnes)	1,113	0
Companies with an ISO consistent EMS (%)	89	100 (8 of 8 EMS within NB Power Group)
Society	CEA	NB Power
All injury/illness frequency rate (injuries per 200,000 hours)	2.15	Top quartile
Lost time injury severity rate (calendar days lost per 200,000 hours)	15.73	Top quartile
Companies with public education programs (%)	93	100 (Yes)
Companies with a process for responding to stakeholders concerns (%)	83	100 (Yes)
Companies with procedures for early consultation or engagement with Aboriginal communities during project planning and development?	68	100 (Yes)
Companies with an Aboriginal Affairs group or senior Aboriginal advisory positions (%)	68	100 (Yes)
Companies with business relationships or partnerships with Aboriginal communities (%)	79	100 (Yes)
Economy	CEA	NB Power
Total annual energy efficiency savings (MWh/yr)	182,000	829 (0.46%)
Total energy saved through DSM programs (MWh)	1,200,000	Data Not Available ¹
Total capital expenditure on new/refurbished generation infrastructure (\$billions/yr)	3.9	0.364 (9.3%)
Total capital expenditure on new/refurbished transmission infrastructure (\$billions/yr)	2.4	0.024 (1.0%)
Total capital expenditure on new/refurbished distribution infrastructure (\$billions/yr)	2.6	0.049 (1.9%)
System Average Interruption Duration Index (SAIDI) Duration (hours)	4.2	4.64 (above the average)
System Average Interruption Frequency Index (SAIFI) Interruptions (per customer)	2.01	2.34 (above the average)

¹ NB Power has partnered with Efficiency New Brunswick, through a Memorandum of Understanding, to promote energy efficiency and conservation measures in the residential, community and business sectors of New Brunswick. <http://www.efficiencynb.ca/enb/home.jsp>

Dalhousie Oil Spill Exercise

Employees at the Dalhousie Generating Station have been conducting oil spill training and exercises since 1996. On August 18, 2009, an oil spill exercise was conducted at the Eel River Bar Bridge. This location provided a unique challenge due to the geographic features of the area and the flows of the tide.

The exercise started with a briefing to participants including Station and other NB Power staff, the RCMP, the Security team, ECRC, Environment Canada, the Port of Dalhousie, Transport Canada, the Energy and Utilities Board and the Department of Environment.



Crews work together to attach the boom on the other side of the water.

“It’s easy to see the commitment of the Station employees. Proof of your commitment was the superb response to the King Darwin incident last fall. That kind of response only comes with proper training and practice. Your employees are safer, faster and more efficient because you take the time to conduct these exercises. It was a very impressive demonstration today and the focus on safety was evident.”

- Robert Starkes, ECRC

Integrated Vegetation Management Program

NB Power’s Integrated Vegetation Management Plan (IVMP) involves managing vegetation growth on and along transmission lines to assist with removing safety obstacles. More than 50 per cent of power outages in Canada occur when vegetation, such as trees, have some kind of contact with power lines. NB Power’s over 6,800 kilometres of transmission lines in New Brunswick cover 20,000 hectares of land, or about the area covered by 127,000 hockey rinks.

The IVMP is based on using the right method at the right time and in the right place. Trained arborists and forest technicians implement this program. Mechanical and hand cutting, mowing, pruning, and Health Canada approved herbicides are used to reduce troublesome vegetation. Having low growing vegetation will reduce the amount of power outages and increase safety for our employees and those who use the right-of-ways.

In 2009, NB Power employees and contractors trimmed trees and brush of approximately 1175 kilometres of transmission rights-of-way.

Osprey nests

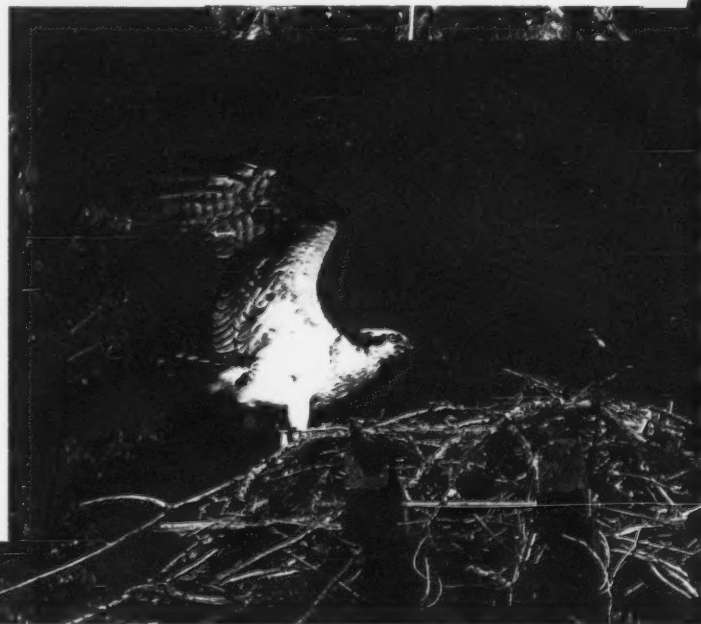
NB Power has built more than 60 nesting platforms for ospreys, which often make their nests on transmission structures. In total, there are over 200 active nests on our transmission system.

Regular patrols of transmission lines are performed to identify problem nests that may interfere with operations. These nests are trimmed to preserve the osprey’s habitat and prevent contact with electrical conductors.

Over the years, our osprey program has help removed the osprey off the species at risk list.



Tree Trimmers; trim trees to help prevent branches from swaying and making contact with power lines.



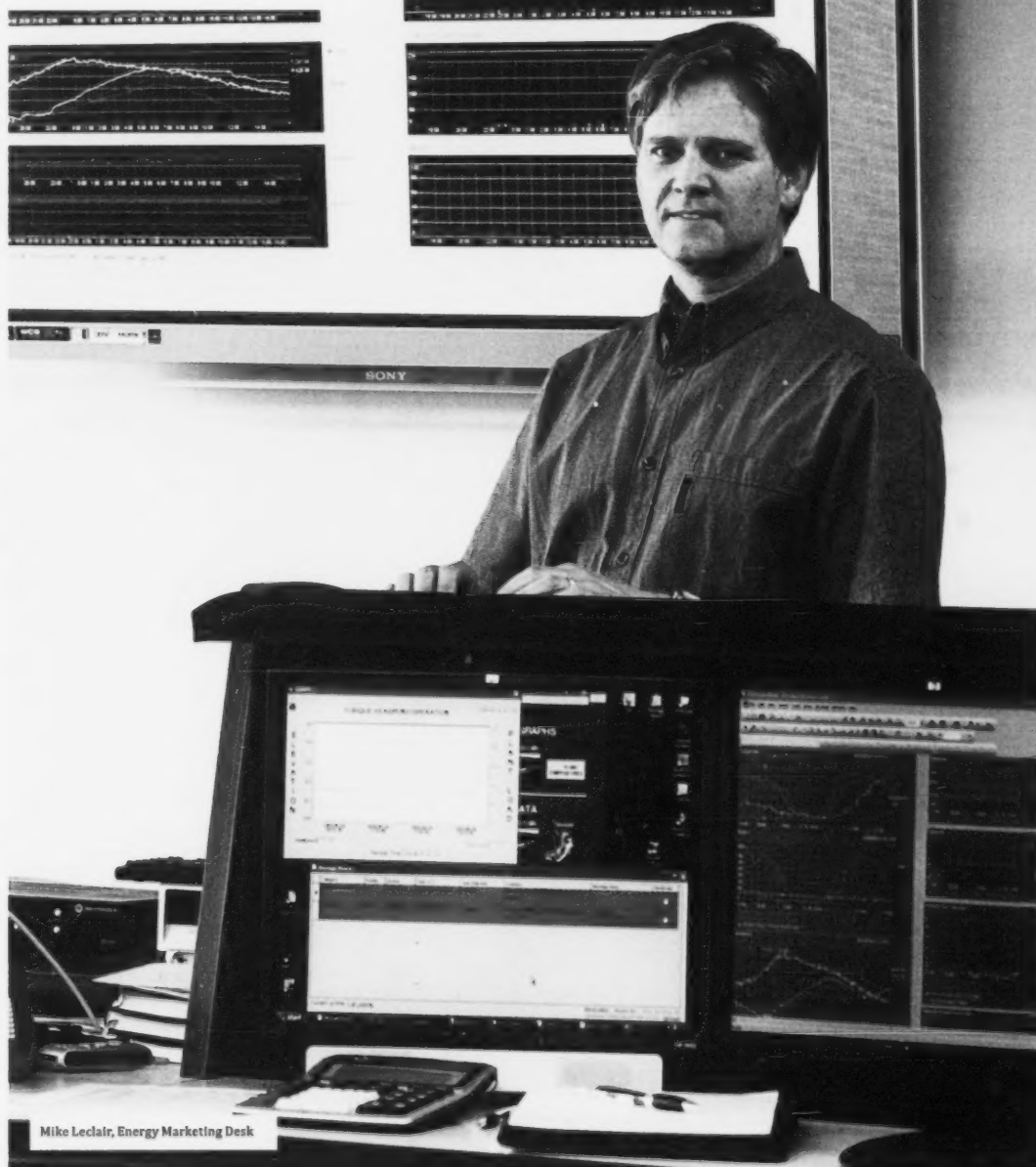
Making the Right Decisions for our Customers

Marketing Desk team working hard for New Brunswickers

NB Power's Marketing Desk operates 24 hours a day, 365 days a year, to ensure that every opportunity is seized to purchase or sell electricity in order to keep rates low for our customers.

The Marketing Desk determines whether it is more cost effective to purchase blocks of energy or to dispatch in-province generation. At the same time, they are constantly monitoring market opportunities to sell excess or surplus energy to neighbouring markets. The profits from these sales go back into the organization to keep rates down for our customers.

In 2009, a video was developed about the Marketing Desk and the employees who make up the team. This video, available the NB Power website at www.nbpower.com, demonstrates how this team's work benefits all New Brunswickers.



Mike Leclair, Energy Marketing Desk

FINANCIALS

2009/10 NB Power

INTRODUCTION

Management's discussion and analysis reviews the financial and operational results for the fiscal year ended March 31, 2010, relative to the previous year. This section should be read in conjunction with the Combined Financial Statements and the accompanying notes.

Companies included in the Combined Financial Statements

The Combined Financial Statements include the accounts of New Brunswick Power Holding Corporation and those of its Operating Companies:

- New Brunswick Power Generation Corporation (Genco), which includes
 - New Brunswick Power Coleson Cove Corporation (Colesonco), and
 - Mine Reclamation Inc. (MRI)
- New Brunswick Power Nuclear Corporation (Nuclearco)
- New Brunswick Power Transmission Corporation (Transco), and
- New Brunswick Power Distribution and Customer Service Corporation (Disco).

These are collectively referred to as NB Power, NB Power Group, the Group or the Corporation.

Contents of Management's Discussion and Analysis

Topic	Purpose
Financial and operating performance factors	Identifies and explains the effect of factors contributing to variability in earnings.
Financial performance summary	Provides summary of the year's key financial results.
Significant events	Highlights significant events impacting the balance sheet and earnings results in the past year.
Year over year financial results	Explains the financial results for 2009/10 including a year-over-year variance analysis.
Regulatory deferrals	Explains the impact of the regulatory deferrals.
Financial instruments	Explains how financial instruments impact financial results.
Liquidity and capital resources	Identifies and explains changes to liquidity and capital resources.
Critical accounting policy changes	Describes changes in accounting policies, and their impact on the combined financial statements.
Significant accounting estimates	Explains the estimates made, and how they impact earnings.

FINANCIAL AND OPERATING PERFORMANCE FACTORS

Introduction

This explains why the NB Power Group earnings before taxes are subject to significant variability under normal operations.

Impact of financial and operating performance factors

There are many factors that impact earnings before taxes that are outside the control of management. These factors result in significant swings in year-to-year results because they affect the cost of generation or price competitiveness in export markets.

Factors that affect financial and operating performance

These are the major factors that have historically affected NB Power's variability in earnings. This table explains how each factor can affect the variability of revenue and expenses.

Factor	Description
Heavy fuel oil based generation	<p>Heavy fuel oil subject to market price fluctuations represent</p> <ul style="list-style-type: none"> • approximately 10 to 15 per cent of total supply, and • 20 to 25 per cent of fuel and purchased power costs. <p>During 2009/10 there was market volatility with heavy fuel oil prices with a high of over \$76/bbl (USD) and a low of just under \$39/bbl (USD).</p> <p>To minimize short to medium term heavy fuel oil price exposure, the Group purchases its forecasted in-province and firm export heavy fuel oil requirements 18 months forward.</p>
Exchange rates	<p>NB Power is exposed to foreign exchange risk when its purchases of fuel and power in US dollars does not offset the revenue received in US dollars.</p> <p>There was volatility in the Canadian dollar during the past year. The value of the Canadian dollar compared to the US dollar fluctuated between \$0.99 to \$0.79 during the year.</p> <p>NB Power enters into purchase contracts 18 months forward for US dollar requirements net of expected US dollar revenue.</p>
Coal based generation	<p>Represents</p> <ul style="list-style-type: none"> • approximately 20 to 25 per cent of total supply, and • 20 to 25 per cent of the fuel and purchased power costs. <p>Price volatility is limited as coal is purchased through tendered contracts of one to two year terms.</p>

Purchased power contracts based on natural gas	<p>Represents</p> <ul style="list-style-type: none"> approximately 5 to 10 per cent of total supply, but approximately 15 to 20 per cent of the total fuel and purchased power costs. <p>As a portion of the price of NB Power's purchase power contracts is based on natural gas prices, to manage this exposure the Group enters into purchase contracts 18 months forward.</p>						
Short-term energy purchases	<p>Represent</p> <ul style="list-style-type: none"> approximately 30 to 35 per cent of total supply requirements, and approximately 35 to 40 per cent of total fuel and purchased power costs. <p>Depending on world oil prices, lower cost energy is purchased to displace internal oil-fired generation. NB Power enters into purchase contracts for energy up to 18 months forward to supply forecasted requirements.</p>						
Out-of-province margins	<p>The Group is a price-taker in regional energy markets. In the normal course of business,</p> <ul style="list-style-type: none"> lower cost energy is directed to in-province use, and higher cost energy, that is often heavy fuel oil based and only competitive if its marginal cost is lower than available market prices, is available for out-of-province sales. <p>Market prices are driven by the cost of natural gas generation. NB Power sells more or less generation out-of-province based on the relationship between</p> <ul style="list-style-type: none"> world prices for natural gas, and world prices for heavy fuel oil. <p>Depending on the operating conditions the Group enters into forward sales contracts which enable more predictable out-of-province margins.</p>						
Hydro based generation	<p>Represents NB Power's lowest-cost fuel for generating electricity. It typically accounts for 15 to 20 per cent of total production. The table below describes how hydro flows can increase or decrease generation costs.</p> <table> <tr> <td>If hydro flows are</td><td>then NB Power</td></tr> <tr> <td>below anticipated levels</td><td>uses other more expensive fuel to make up the shortfall and increases its generation costs.</td></tr> <tr> <td>higher than anticipated</td><td>reduces the use of expensive fuels and decreases its generation costs.</td></tr> </table> <p>Hydro net generation as a percentage of the long-term average over the past ten years has ranged from 70 per cent to 120 per cent.</p>	If hydro flows are	then NB Power	below anticipated levels	uses other more expensive fuel to make up the shortfall and increases its generation costs.	higher than anticipated	reduces the use of expensive fuels and decreases its generation costs.
If hydro flows are	then NB Power						
below anticipated levels	uses other more expensive fuel to make up the shortfall and increases its generation costs.						
higher than anticipated	reduces the use of expensive fuels and decreases its generation costs.						
Nuclear based generation	<p>In previous years, nuclear generation represented up to 25 per cent of total production through the Point Lepreau Generating Station, of which effective operation is essential for NB Power's positive financial performance.</p> <p>On March 28, 2008, Point Lepreau Generating Station was taken out of service for refurbishment. There was no production from nuclear generation in 2009/10.</p>						

Measuring Financial and Operating Performance Factors

The table below provides explanations of the factors behind NB Power's variability in earnings. The indicative prices quoted in the table below are un-hedged prices.

Financial and Operating Factors behind Variability	2009/10 variability	2008/09 variability	2007/08 variability
<p>Range of heavy fuel oil prices (\$US / bbl Platts NY 3 per cent) throughout the year</p> <p>Platts NY 3 per cent is a fuel price index benchmark reported by the dominant price benchmark reporting service Platts NY 3 per cent refers to the sulphur level of heavy fuel oil against which NB Power benchmarks.</p>	\$39 - \$76	\$27 - \$112	\$42 - \$75
<p>Range of Canadian dollar throughout the year (\$US equivalent)</p> <p>Exchange Rate: the rate at which one currency may be converted into another.</p>	\$0.79 - \$0.99	\$0.77 - \$1.02	\$0.86 - \$1.09
Range of short-term debt interest rates throughout the year	.17% - .25%	.35% - 3.45%	1.92% - 4.45%
<p>Average International Coal Report coal market price (\$US / ton)</p> <p>International Coal Report provides news and analysis on the international steam coal and coking coal markets, including evaluations of the major markets, and benchmark price assessments for coal trading in the Atlantic and Pacific markets. The report covers data on shipping movements, tenders, and contracts, and assesses spot prices for key benchmark prices for physical coal in both the Atlantic and Pacific markets for forward-month delivery.</p>	\$65.66	\$117.94	\$96.12
<p>Range of natural gas prices (\$US / mmbtu) throughout the year</p> <p>Mmbtu = 1 million British Thermal Units</p>	\$2.10 - \$9.86	\$3.60 - \$13.60	\$5.40 - \$10.20
<p>Average New England on-peak prices (\$US / MWh)</p> <p>"On Peak Price" reflects the price of electricity when demand for electricity is highest.</p>	\$45.20	\$81.91	\$75.77
<p>Hydro net generation as a percentage of long-term average</p> <p>Net generation is the amount of electricity generated by a power plant that is transmitted and distributed for consumer use and is the result of gross generation less the electric energy consumed at the generating station for station use.</p> <p>Long-term average hydro energy is the amount of energy that can potentially be produced using the average river flow, based on the period of record (the period of record for NB Power is 1954-1994)</p>	119%	117%	104%
<p>Point Lepreau Generating Station net capacity factor</p> <p>Capacity factor of a power plant is the ratio of the actual output of a power plant over a period of time, and its output if it had operated at full capacity the entire time.</p>	-	-	78.2%

The majority of commodities prices (e.g. heavy fuel oil, natural gas and coal) are hedged through forward purchases and therefore there is no in-year financial variability.

FINANCIAL PERFORMANCE

Introduction

This provides an overview of NB Power Group's financial performance for the year.

Key measures of financial performance

Financial Performance (in millions)	2009/10	2008/09	2007/08
Net earnings (loss)	\$(117)	\$70	\$89
Cash flow from operations	\$245	\$273	\$316
Capital expenditures	\$356	\$438	\$409
Increase in debt	\$339	\$479	\$230
Expenditures (revenue) deferred for regulatory purposes ¹	\$147	\$386	\$(73)

¹ Expenses incurred in the current year are deferred and will be collected in future rates.

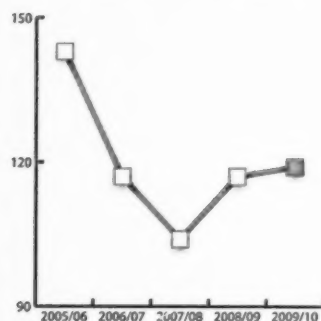
Financial ratios and percentages

Financial Ratios and Percentages	2009/10	2008/09	2007/08
Operating margin	(4%)	15%	17%
Operating margin before asset impairment	6%	15%	17%
Operating cash flow / capital expenditures	0.69	0.62	0.77
Operating cash flow / total debt	0.06	0.07	0.09
Capital expenditures / net book value of property, plant and equipment	10%	12%	12%
Per cent of debt in capital structure	96%	93%	91%
Interest coverage ratio ²	(0.19)	1.28	1.60
Interest coverage ratio before impairment	0.56	1.28	1.60

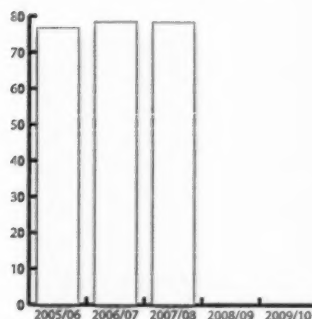
² Interest coverage ratio is defined as the adjusted earnings before interest and taxes (earnings before interest and taxes net of debt portfolio management fee and investment income) divided by adjusted finance charges (finance charges net of interest income, realized foreign exchange, debt portfolio management fee, interest during construction, debenture discount amortization and deferred interest amortization).

The interest coverage ratio has been declining over the past three years and is low compared to other Canadian utilities. The minimal rate increases in the past three years contributes to this decline and as a result impacts debt reduction.

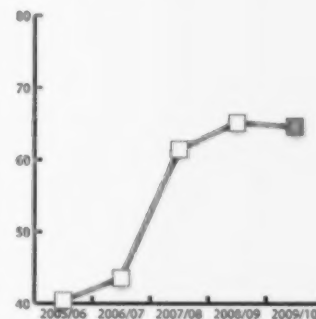
Hydro Net Generation
(per cent) of long-term average



Point Lepreau Generating Station
Net Capacity Factor (per cent)



Heavy Fuel Oil Price
(\$US/bbl average)



Highlights

NB Power incurred a net loss for the year ended March 31, 2010 of \$117 million compared to net earnings of \$70 million in 2008/09. The significant factors that contributed to the change in year-over-year earnings were

- a write down of \$161 million before taxes due to impairment of the Dalhousie Generating Station assets as a result of the intent to shut-down and decommission the Generating Station at March 31, 2011.
- a decrease in gross margin of \$20 million mainly due to
 - lower in-province revenue due to lower load as a result of closure of major industrial customers, and warmer weather
 - higher generation costs, partially reduced by lower average prices for purchased power
 offset by
 - higher in-province revenue due to the implementation of an approved 3.0 per cent average rate increase
 - higher out-of-province revenue due to higher volumes mainly due to new export contracts, partially reduced by lower market prices
 - higher hydro flows in 2009/10 at 119 per cent of the long-term average compared to 117 per cent of the long-term average in 2008/09
- increased operations maintenance and administration expense of \$32 million in 2009/10 (see operating results – expense section for more detail)
- higher amortization and decommissioning expense of \$13 million mainly related to the closure of NB Coal and the Grand Lake Generating Station

These factors were partially offset by lower finance charges mainly due to lower short-term borrowing rates.

Non-capital costs of \$193 million were incurred related to the Point Lepreau Generating Station refurbishment project, however these costs were deferred in accordance with legislation, (no impact on the current year's earnings) and will be amortized over the life of the refurbished generating station.

The NB Power Group's debt increased by \$339 million in 2009/10. The increase in debt was mainly due to financing requirements for the Point Lepreau Refurbishment project and the related deferred costs.

SIGNIFICANT EVENTS

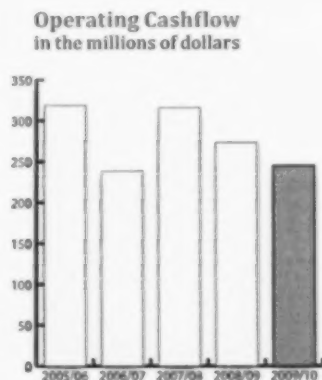
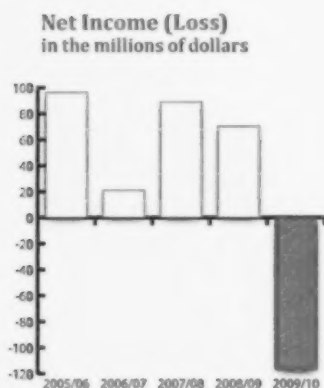
The following significant events impacted the NB Power Group's financial results.

Point Lepreau Generating Station Refurbishment Project

In July 2005 the Province of New Brunswick announced its decision to support the Board's recommendation to refurbish the Point Lepreau Generating Station in partnership with Atomic Energy of Canada Limited (AECL). The refurbishment will extend the Station's life by approximately 25 years, providing the NB Power Group with electricity from a fuel source that is not subject to the volatility of heavy fuel-oil pricing. The refurbished Station will also continue to provide an environmental benefit by generating electricity that avoids significant carbon dioxide, sulphur dioxide and nitrogen oxide emissions.

The original project completion and Station restart date was October 2009. The expected project completion and Station is now scheduled for the spring of 2012. AECL has not confirmed this date.

Total project capital spending to March 31, 2010 was \$1 billion.



AECL is currently working on the reassembly of the reactor and have completed the upper feeder installation. The lower feeder installation will proceed once the fuel channel components are all installed.

AECL is progressing with the calandria tube installation of the retube activities. This is proving to be one of the most complex aspects of the entire Project. The insertion of all 380 calandria tubes was completed on April 28, 2010. Subsequent inspection has revealed a number of failures on leak rate tests. A number of solutions are being evaluated to correct this issue.

Financial Implications of Delay

Refurbishment of the Point Lepreau Generating Station is largely a turnkey project and, as such, construction cost overruns are the responsibility of the contractor – AECL. There are, however, financial implications for NB Power, as project owner.

The capital costs and deferral costs totaling \$30 million per month as a result of the delay are as follows

- The capital cost of the project will increase by approximately \$11 million per month of project delay, this consists of
 - \$3 million in increased project owner costs for facilities, contracted staff, insurance and other costs to support the project
 - \$8 million of costs reallocated from operations to the project
- The deferral of Nuclearco period and replacement power costs will increase by approximately \$19 million per month (including interest applied to the deferral balance).

These costs will be amortized and charged to customers over the extended life of the station.

Turbine Upgrade

Work to assemble the new low pressure turbine rotors and associated components was completed during the year. The reassembly of the high pressure turbine rotor was completed during the year and the related documentation has been reviewed. Overall project cost at March 31, 2010 was \$53 million and forecasted total cost is \$65 million which is on target with the budget.

Shut down of NB Coal and the Grand Lake Generating Station

During the year the Group ceased operation at NB Coal and the Grand Lake Generating Station. The shut down of these operations will not materially impact on-going cash flow or net earnings of the Group. During 2009/10 special termination benefits of \$9 million were recognized.

Loss on Impairment of Property Plant and Equipment

During 2009/10 planning process management reviewed the future operating requirements for the NB Power generating assets.

NB Power reviewed the following

- future capacity and energy requirements
- fuel conversion alternatives for Dalhousie given that the current fuel contract was concluding in 2010/11
- market prices for heavy fuel oil and the ability to purchase power more economically than generating internally

Future generation requirements indicated a need for some, although less thermal generation than in the past. As a result of the review, management determined there was not a business case to support a fuel conversion for the future operation of Dalhousie, therefore Dalhousie would continue to run until the PDVSA fuel was burned, to March 31, 2011, at which time Dalhousie would be shut down and decommissioned.

This decision triggered a write down of the Dalhousie Generating Station's assets due to impairment. The assets were written down from \$195 million to \$34 million which represents the net present value of the expected future cash flows of the Station. These cash flows include revenues (capacity, energy, and third party) less operating costs until the station is shut down.

US Markets

In the fall of 2008, NB Power received approvals from a number of US agencies that allow it to transact energy directly into US markets. Since December 2008, NB Power has been buying and selling energy with the Independent System Operator – New England along with several utilities and commercial customers in the US. NB Power expects future benefits to be considerable, particularly after the Point Lepreau Generating Station returns to service.

PDVSA Lawsuit Settlement

Throughout the year shipments of fuel were received related to the lawsuit settlement with PDVSA.

Industrial Customers

NB Power's load decreased during the year due to large industrial shut-downs. The Group continues to work with industrial customers who are experiencing difficulty.

Rate Increase

On April 1, 2009, the NB Power Group implemented a three per cent average rate increase across all customer groups, which resulted in a \$35 million increase in revenue. During the year a rate review was conducted by the Energy and Utilities Board (EUB). The EUB concluded that it was necessary for Disco to increase its charges, rates and tolls by three per cent on April 1, 2009.

Nuclear Decommissioning and Used Fuel Management Liabilities and Related Trust Funds

The liabilities associated with

- the cost of decommissioning the nuclear generating station after the end of its service life and
- the cost of interim and long-term management of used nuclear fuel bundles

had a recorded balance of \$378 million at March 31, 2010.

These liabilities have the following funding requirements

- The funding requirements of the decommissioning segregated fund and used nuclear fuel segregated fund are established yearly based on current obligations and market values of the funds.
- The used nuclear fuel trust fund funding requirement is based on the *Nuclear Fuel Waste Act* which requires the Group to deposit an amount based on an approved funding formula.

At March 31, 2010 the recorded balance of the nuclear decommissioning and the used nuclear fuel trust funds was \$461 million.

The balances of the liabilities and trust funds reflect their net present value based on the appropriate discount rate. Accounting standards require that a credit adjusted risk free rate be used as the discount rate to determine the net present value of the liabilities, whereas the discount rate used for the trust funds is the anticipated earnings rate of the funds. To determine if the liabilities are sufficiently funded, the liabilities' and the trust funds' present values would need to be calculated using the same discount rate. Using the same discount rate, the liability was under funded by approximately \$40 million. As a result, a contribution will be made to the trust funds in 2010/11.

Thermal Decommissioning Liabilities

During the year, management reviewed all thermal decommissioning liabilities and increased them by 25 per cent to reflect updated cost information that had not been previously included in the existing liabilities.

YEAR-OVER-YEAR RESULTS - REVENUES

Introduction

This provides an overview of NB Power's revenues for the year, and compares them with previous years.

Revenue overview

Revenue Overview (in millions)	2009/10	2008/09	2007/08
Sales of power			
In-province	\$1,207	\$1,219	\$1,237
Out-of-province	229	217	196
Miscellaneous	59	73	99
Transmission	91	89	87
Total revenues	\$1,586	\$1,598	\$1,619
Per cent increase (decrease) year-over-year	(1%)	(1%)	7%

In-province sales of power

In-province sales of power (in millions)	2009/10	2008/09	2007/08
Residential	\$540	\$539	\$519
Industrial	294	307	362
General service	254	250	248
Wholesale	96	98	94
Street lights and energy imbalance	23	25	14
Total	\$1,207	\$1,219	\$1,237
Per cent increase (decrease) year-over-year	(1%)	(1%)	8%
GWh	12,545	13,052	14,250
Per cent (decrease) year-over-year	(4%)	(8%)	(1%)

Major contributors to year-over-year in-province sales variance

In-province sales of power totaled \$1,207 million in 2009/10, representing a \$12 million or one per cent decrease compared to 2008/09. The main contributors to the year-over-year variance were as follows

Revenues	By this amount	Due to
Contributing factors decreased	\$40 million	lower sales due to significantly milder temperatures than normal
	\$6 million	lower load mainly due to industrial shutdowns
	\$1 million	lower interruptible sales because of volume and price. The volume was lower mainly because two customers switched a portion of their interruptible load to firm supply on April 1, 2008. The price was lower due to lower supply cost.
Offsetting factors increased	\$35 million	a three per cent average rate increase implemented on April 1, 2009, and changes in usage patterns.

Out-of-province sales of power

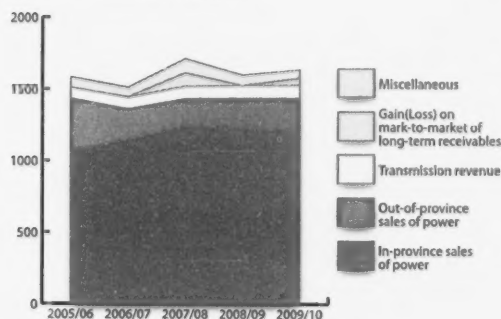
Out-of-province sales of power (in millions)	2009/10	2008/09	2007/08
Revenue	\$229	\$217	\$196
Per cent increase (decrease)	5%	11%	(9%)
GWh	2,326	1,891	2,327
Per cent increase (decrease) year-over-year	23%	(19%)	(17%)

Major contributors to year-over-year out-of-province sales variance

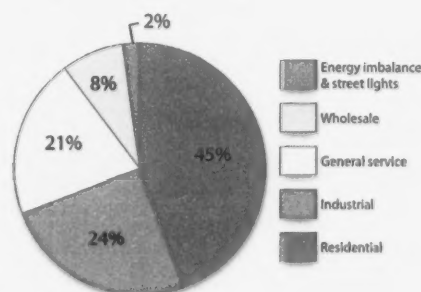
In 2009/10, out-of-province sales of power increased by \$12 million or 5 per cent compared to 2008/09. The main contributors to the year-over-year variance were:

Revenues	By this amount	Due to
Contributing factors increased	\$35 million	higher volumes mainly due to new contracts with customers in the State of Maine.
Offsetting factors decreased	\$23 million	lower market prices.

Revenue Analysis
in the millions of dollars



In-province Revenue



Miscellaneous Revenue

Normally miscellaneous revenue consists primarily of

- water heater rentals
- pole attachment fees
- generation by-products, and
- fees for secondment services provided to the New Brunswick System Operator (System Operator).

Miscellaneous revenue results

Miscellaneous revenue was \$59 million in 2009/10, a decrease of \$14 million compared to 2008/09. This decrease was mainly due to the expiration in Genco of a contract for steam sales in 2008/09 (\$7 million) and insurance proceeds for damages incurred during the Grand Falls Flood received in 2008/09 (\$7 million).

Transmission Revenue

Transmission revenue

- represents recoveries from the System Operator for the transmission revenue requirement
- is largely offset by transmission expenses paid to the System Operator for
 - network service
 - connection fees
 - point-to-point tariff, and
 - scheduling services.

YEAR-OVER-YEAR RESULTS - EXPENSES

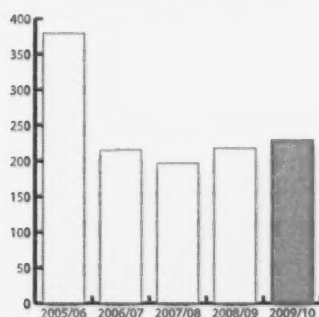
Introduction

This provides an overview of NB Power's expenses for the year, and compares them with previous years.

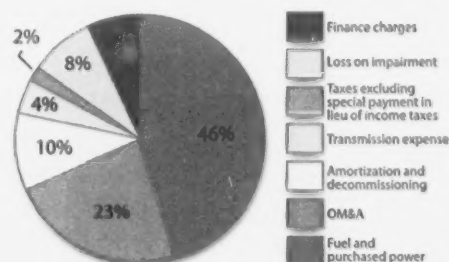
Expenses overview

Expenses (in millions)	2009/10		2008/09		2007/08	
	\$	%	\$	%	\$	%
Fuel and purchased power	\$887	47%	\$869	49%	\$585	38%
Operations, maintenance & administration	447	24	415	23	397	26
Amortization and decommissioning	199	10	186	11	216	14
Transmission	86	5	82	5	85	5
Taxes	40	2	43	2	43	3
Finance charges	132	7	140	8	175	11
Impairment of long-term asset	161	8	0	0	0	0
Special payments in lieu of income taxes	(53)	(3)	34	2	49	3
Total	\$1,899	100%	\$1,769	100%	\$1,550	100%
Per cent increase year-over-year		7%		14%		4%

Out-of-province Revenue
in the millions of dollars



Total Expenses



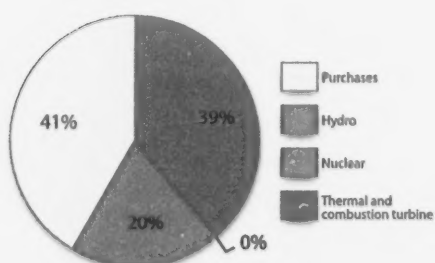
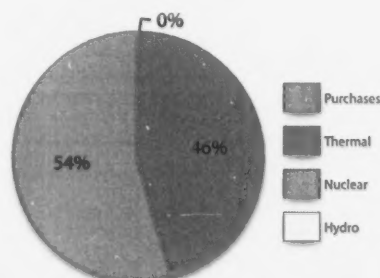
Major contributors to year-over-year expense variance

Total expenses increased by \$130 million to \$1,899 million in 2009/10. This increase resulted mainly from the following factors:

Expense	Change	Explanation
Contributing factors		
Impairment of long-term asset	increased by \$161 million	•write-down of Dalhousie Generating Station due to impairment
fuel and purchased power	increased by \$18 million	•higher generation costs partially offset by •lower load requirements •lower purchased power prices, and •higher hydro availability
operations, maintenance and administration (OM&A)	increased by \$32 million	•net increased labour expense •increased pension expense •higher early retirement costs •higher costs associated with Nuclearco OM&A projects
amortization and decommissioning	increased by \$13 million	•higher amortization and decommissioning mainly related to the closure of NB Coal and the Grand Lake Generating Station
Offsetting factors		
finance charges	decreased by \$8 million	•lower rates for short-term borrowings partially offset by •foreign exchange impacts
special payments in lieu of income taxes	decreased by \$87 million	•due to the impairment of the Dalhousie Generating Station.

Fuel and Purchased Power

Fuel and Purchased Power (in millions)	2009/10		2008/09		2007/08	
	\$	%	\$	%	\$	%
Hydro	0	0	0	0	0	0
Nuclear	0	0	0	0	18	3
Thermal	409	46	380	44	230	40
Purchases	478	54	489	56	337	57
Total	\$887	100%	\$869	100%	\$585	100%
Per cent increase year-over-year		2%		48%		4%

GWh Production**Fuel and Purchase Power**

Major contributors to year-over-year fuel and purchased power expense variance

The cost of fuel and purchased power was \$887 million in 2009/10, an increase of \$18 million or two per cent from 2008/09.

The year-over-year increase in fuel and purchased power costs was mainly attributable to

Fuel and purchased power expenses	By this amount	Due to
Contributing factors		
increased	\$38 million ²	higher overall generation costs partially offset by lower prices for purchased power
Offsetting factors		
decreased	\$5 million	increased hydro flows to 119 per cent of the long-term average in 2009/10 compared to 117 per cent in 2008/09.
decreased	\$15 million	reduced load requirements due to industrial shut-downs and milder temperatures compared to previous year.

²Most of this amount is offset through the Point Lepreau regulatory deferral (see regulatory deferrals section).

Operations, Maintenance and Administration

The table below shows the operations, maintenance and administration expenses compared with previous years.

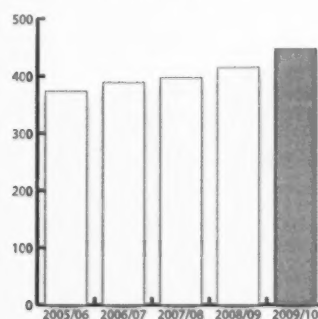
Operations, Maintenance & Administration (in millions)	2009/10	2008/09	2007/08
Operations, Maintenance & Administration expenses	\$447	\$415	\$397
Per cent increase year-over-year	8%	5%	2%

Major contributors to year-over-year Operations, Maintenance and Administration variance

Operations, maintenance and administration costs were \$447 million in 2009/10, a \$32 million or eight per cent increase compared to 2008/09. The significant changes were

Operations, maintenance and administration expenses	By this amount	Due to
Contributing factors		
increased	\$13 million	increased hired services and labor costs in Nuclearco related to projects scheduled during the Point Lepreau Generating Station refurbishment outage (offset through the regulatory deferral)
increased	\$9 million	special termination benefits related to the NB Coal and Grand Lake shutdown
increased	\$4 million	higher pension expense due to lower return on plan assets in 2008/09 partially offset by higher discount rate
increased	\$6 million	higher net labor due to collective agreement and salary increases

OM&A Expenses
in the millions of dollars



Amortization and Decommissioning

Amortization and Decommissioning (in millions)	2009/10	2008/09	2007/08
Amortization and decommissioning	\$199	\$186	\$216
Per cent increase (decrease) year-over-year	7%	(14%)	(2%)

Contributing factors to changes in amortization and decommissioning

Amortization and decommissioning costs were \$199 million in 2009/10, a \$13 million increase mainly due to

Amortization and decommissioning expenses	By this amount	Due to
Contributing factors		
increased	\$8 million	higher decommissioning mainly related to the closure of the Grand Lake Generating Station
increased	\$2 million	related to accelerated amortization of the NB Coal dragline

Finance charges

Finance Charges (in millions)	2009/10	2008/09	2007/08
Finance charges	\$132	\$140	\$175
Per cent (decrease) year-over-year	(6%)	(20%)	(3%)

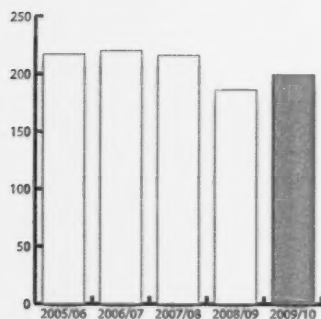
Contributing factors to changes in finance charges

Finance charges were \$132 million in 2009/10, an \$8 million or six per cent decrease from 2008/09. This was mainly due to

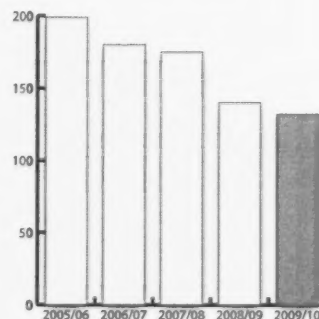
Finance charges	By this amount	Due to
Contributing factors		
decreased	\$25 million	improved rates on debt refinancing and reduced debt levels ³
Offsetting factors		
increased	\$15 million	year-over-year variance from foreign exchange impacts for exposure not subject to forward purchasing primarily related to short-term debt and payable transactions during a period of high variability in 2008/09

³Although debt has actually increased since March 2009, the increase is related to capital projects in progress and the deferral. Total debt other than debt associated with capital projects in progress and the deferral has been reduced since March 2009 mainly due to positive cash flow from operations.

Amortization & Decommissioning
in the millions of dollars



Finance Charges
in the millions of dollars



Special payments in lieu of income taxes

The NB Power Group is required to make special payments in lieu of income taxes to Electric Finance or recover taxes previously paid through the application of loss carry-backs. These payments or recoveries are based on accounting net earnings multiplied by a rate of 31 per cent. Special payments (recoveries) are as follows:

Special Payments in Lieu of Income Taxes (in millions)	2009/10	2008/09	2007/08
Special payments in lieu of income taxes	\$(53)	\$34	\$49
Per cent increase (decrease) year-over-year	(255%)	(31%)	513%

Contributing factors to changes in special payments in lieu of taxes

Special payments in lieu of income taxes (recovery) were \$(53) million in 2009/10, an \$87 million decrease compared to 2008/09. This decrease was primarily due to reduced earnings as a result of the impairment of the Dalhousie Generating Station. This loss was carried back to prior years to recover taxes previously paid.

REGULATORY DEFERRALS

Point Lepreau Generating Station refurbishment

Background

A regulatory deferral was created for non-capital costs incurred during the refurbishment of the Nuclear Generating Station. The refurbishment of the Nuclear Generating Station will enable electricity to be provided to future generations of customers. The deferral and amortization of these costs over the life of the Station provides for inter-generational equity. Legislation was proclaimed (section 143.1 of the *Electricity Act*) which provides for the establishment of this regulatory deferral related to the refurbishment of the Point Lepreau Generating Station. The deferral consists of

- the period costs of Nuclearco, net of any revenues, and
- the additional costs to supply energy that are charged to Disco by Genco during the period of refurbishment.

These amounts are to be recovered by Disco over the operating life of the refurbished Point Lepreau Generating Station and are to be reflected in the charges, rates and tolls Disco charges its customers.

Impact on earnings before special payments in lieu of taxes

During 2009/10, \$193 million in period costs and additional costs to supply energy were deferred.

The deferral adjustment consisted of

- period costs - \$176 million
- additional cost to supply energy - \$17 million

In addition to the deferral adjustment on the statement of earnings, interest expense associated with the refurbishment of \$16 million was deferred, which directly reduced finance charges in the year.

REGULATORY DEFERRALS

Regulatory Deferral – Lawsuit settlement with PDVSA

Background

On August 23, 2007 the Energy and Utilities Board (EUB) approved a regulatory deferral for the purpose of returning the benefit of the lawsuit settlement with PDVSA to customers in a levelized manner. The deferral is being allocated to customers over 17 years in order to best match the benefit from the settlement to the customers that will pay for the Coleson Cove Generating Station refurbishment.

Impact on earnings before special payments in lieu of taxes

During 2009/10, \$46 million in cost savings from the lawsuit settlement which includes a mark-to-market accounting adjustment were deferred. The deferral adjustment consisted of

- amortization and interest savings resulting from the lawsuit settlement (the interest savings will increase as the fuel value of the settlement is received) - \$21 million
 - an accounting adjustment related to the mark-to-market gains related to the long-term fuel contract (these mark-to-market adjustments are temporary and will reverse when the fuel shipments have been received) - \$65 million
- offset by
- cost adjustment on shipments received - \$16 million
 - levelized benefit to customers - \$24 million

FINANCIAL INSTRUMENTS

The Group enters into forward contracts for commodities. The accounting impacts of these financial instruments can be found in Note 27 of the financial statements.

LIQUIDITY AND CAPITAL RESOURCES

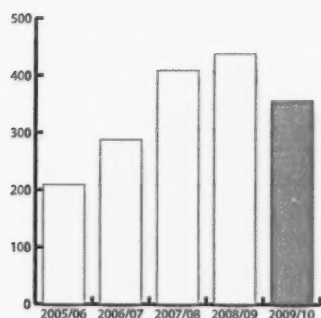
Introduction

This provides an overview of NB Power's liquidity and capital resources.

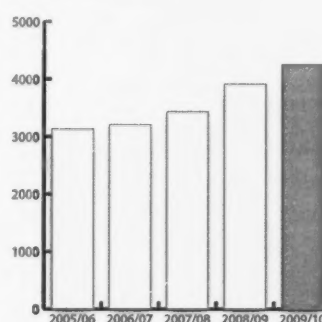
Capital expenditures

Capital Expenditures (in millions)	2009/10	2008/09	2007/08
Major project capital expenditures	\$212	\$289	\$262
Regular project capital expenditures	\$154	\$163	\$153
Customer contributions and proceeds on disposal	\$(10)	\$(14)	\$(6)
Total capital expenditures	\$356	\$438	\$409

Capital Expenditures
in the millions of dollars



Total Net Debt
in the millions of dollars



Contributing factors to changes in capital expenditures

Capital expenditures, net of proceeds on disposal and customer contributions, were \$356 million in 2009/10. This year-over-year decrease of \$82 million or 19 per cent resulted primarily from the following

Capital expenditures	By this amount	Due to
Contributing factors		
decreased	\$72 million	reduced spending on the Point Lepreau Generating Station refurbishment project
decreased	\$4 million	reduced spending on the turbine upgrade project at Point Lepreau Generating Station

Cash flow from operations

Cash Flow from Operations (in millions)	2009/10	2008/09	2007/08
Cash flow from operations	\$245	\$273	\$316
Percentage increase (decrease) year-over-year	(10%)	(14%)	33%

Contributing factors to changes in Cash flow from operations

Cash flow from operations in 2009/10 decreased by \$28 million to \$245 million. This decrease resulted from the following

Cash flow from operations	amount	explanation
Contributing factors		
decreased	\$187 million	decrease in net earnings resulting in a loss
Offsetting factors		
increased	\$159 million	increase in amounts charged to operations not requiring a current cash payment (mainly resulting from the Dalhousie impairment)

Change in total debt level

Reduction (Increase) in Net Debt (in millions)	2009/10	2008/09	2007/08
Cash flow from operations	\$245	\$273	\$316
Capital expenditures	(356)	(438)	(409)
Recovery of capital (related to PDVSA fuel shipments received)	106	57	86
Decrease (increase) in working capital	(65)	(60)	(80)
Nuclear decommissioning and used fuel management funds – installments and earnings	(21)	(35)	(141)
Decommissioning expenditures	(7)	(2)	(1)
Regulatory deferrals excluding mark-to-market adjustments	(230)	(255)	(20)
Free cash outflow	\$(328)	\$(460)	\$(249)
Dividends paid	(13)	(13)	(11)
Change in cash	2	(6)	30
Increase in total debt	\$339	\$479	\$230

Contributing factors to changes in total debt

Free cash outflow was \$328 million in 2009/10, a decrease of \$132 million compared to 2008/09. The primary reasons for the decrease were

Decreased cash outflow	Due to
Contributing factors	
Decreased cash flow from operations	<ul style="list-style-type: none"> • lower earnings resulting in a loss partially offset by increase in amounts charged to operations not requiring a current cash payment (mainly resulting from the Dalhousie impairment)
Decreased capital spending	<ul style="list-style-type: none"> • the Point Lepreau Generating Station refurbishment project, • Point Lepreau Generating Station turbine upgrade project
Decreased regulatory deferrals (excluding mark-to-market adjustment)	<ul style="list-style-type: none"> • net change in regulatory deferrals related to the Point Lepreau Generating Station refurbishment project and the PDVSA lawsuit settlement

Total Debt

Total Debt (in millions)	2009/10	2008/09	2007/08
Long-term debt	\$3,580	\$3,464	\$3,162
Short-term indebtedness	673	450	273
Total debt	4,253	3,914	\$3,435
Debt/capital	96%	93%	91%
Cash flow from operations/total debt	0.04	0.07	0.09

Year-over-year change to total debt level

Total debt increased by \$339 million in 2009/10. The financing cash flows were \$142 million lower in 2008/09 mainly due to

- lower capital spending on the Point Lepreau Generating Station refurbishment project

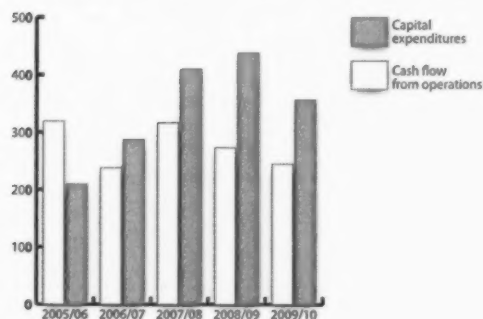
The level of short-term borrowings fluctuates depending on the timing of debt maturities and capital investment requirements. Since restructuring on October 1, 2004 the Group issues long- and short-term notes to Electric Finance Corporation (Electric Finance). Under the authority of the Electricity Act, Electric Finance issues debt in the name of the Province of New Brunswick.

CRITICAL ACCOUNTING POLICY CHANGES**Introduction**

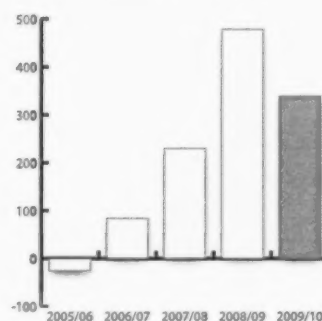
This provides an overview of NB Power's accounting policies that have changed.

Topic	Purpose
Change in accounting policies for fiscal 2010	<p>The table below outlines accounting policy changes adopted by the NB Power Group during the past fiscal year regarding</p> <ul style="list-style-type: none"> • Financial Instruments – Disclosure • Generally Accepted Accounting Principles • Income Taxes
Future change: International Financial Reporting Standards (IFRS)	Describes future changes required by the Corporation related to adopting IFRS.

Components of Free Cash Flow
in the millions of dollars



Reduction In Debt
in the millions of dollars



Change in Accounting Policies for fiscal 2010

Canadian Institute of Chartered Accountants (CICA) Handbook Section change adopted by the Group	Requirements of the section on the NB Power Group	Effect on 2010 reported results
Financial Instruments - Disclosure		
Implemented April 1, 2009: Section 3862, Financial Instruments - Disclosures	This Section was amended in June 2009 to improve disclosure concerning fair value and liquidity risk.	Additional disclosure provided in Note 27.
Rate Regulated Operations		
Implemented April 1, 2009: Sections <ul style="list-style-type: none"> 1100, Generally Accepted Accounting Principles 3465, Income Taxes amended 	These Sections have been amended. The temporary exemption, allowing rate regulated entities to not set up future income tax assets and liabilities, has been removed. Requires the recognition of a separate regulatory asset or liability for the amount of future income taxes expected to be included in future rates and recovered from or paid to future customers	There will be no effect on the Corporation's financial results, as a result of these amendments. No adjustment is required as NB Power calculates taxes based on accounting income and does not make adjustments for expenses in determining taxable income.

Future Change International Financial Reporting Standards (IFRS)

Background

On February 13, 2008, the Canadian Accounting Standards Board confirmed the adoption of IFRS in place of Canadian GAAP for publically accountable enterprises. The transition date for the NB Power Group is April 2011. This will require the restatement, for comparative purposes, of amounts reported by the Group for its year ended March 31, 2011, and of the opening balance sheet as at April 1, 2010.

Progress to date and evaluation of impacts

A project team is in place to perform core project work and a Steering Committee is in place to assist with project governance. Regular project status updates are provided to the Audit Committee.

The Group has completed the diagnostic and assessment activities of its transition plan. The differences between Canadian GAAP and IFRS has been determined and the Corporation has substantially completed the determination of the impact on policies, processes, systems and financial statements upon adoption. The Group anticipates significant work around the determination of opening balances in the consolidated statement of financial position, and a significant increase in disclosure resulting from the adoption of IFRS. Areas with significant differences that will impact the Group include: regulatory accounting, property, plant and equipment, employee benefits, asset retirement obligations. There will be adjustments to retained earnings on transition.

Rate regulated accounting

IFRS currently do not have a specific standard allowing rate regulated accounting. In December 2008, the International Accounting Board (IASB) amended their agenda to include a project related to rate regulated accounting.

An exposure draft was released in July 2009 with a 120 day comment period. The responses to this Exposure Draft were numerous and conflicting. The IASB is currently deciding how to proceed with this project.

In July 2010 the Canadian Accounting Standards Board ("AcSB") announced a proposal to defer mandatory adoption of International Financial Reporting Standards ("IFRSs") for qualifying entities with rate-regulated activities. The proposed optional two year deferral would push back NB Power's mandatory IFRS changeover date from January 1, 2011 to January 1, 2013. Deferral is optional; entities will still be permitted to adopt IFRSs in 2011 (or earlier). Entities that choose to defer application of IFRSs until a later date will continue to apply Part V of the Canadian Institute of Chartered Accountants Handbook.

SIGNIFICANT ACCOUNTING ESTIMATES

Please refer to Note 4o. of the financial statements for a listing of NB Power's significant accounting estimates.

The combined financial statements of NB Power Holding Corporation (the Corporation) have been prepared by management, who are responsible for the integrity, accuracy and fairness of the information. The accounting principles followed in the financial statements are generally accepted in Canada. The financial information presented throughout the annual report is consistent with the financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded and records properly maintained. These controls and procedures include

- system security and various financial controls
- quality standards in hiring and training of employees
- a code of conduct
- an organizational structure that provides a well-defined division of responsibilities
- performance accountability
- communication of policies and guidelines through the Corporation

Internal controls are reviewed and evaluated by audit programs, which are subject to scrutiny by external auditors.

The ultimate responsibility for the financial statements rests with the Board of Directors. The Board is assisted in its responsibilities by the Audit Committee, which reviews the recommendations of internal and external auditors for improvements in internal control and the action of management to implement such recommendations. In carrying out its duties and responsibilities, the Audit Committee meets regularly with management and with external and internal auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that its responsibility has been properly discharged. The Audit Committee reviews the financial statements and recommends them for approval by the Board of Directors.

The Corporation's external auditors, Deloitte & Touche LLP, have conducted an independent examination of the financial statements in accordance with auditing standards generally accepted in Canada, performing such tests and other procedures as they consider necessary to express the opinion in their Auditors' Report.

The external auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Corporation's financial reporting and the adequacy of internal control systems.

To the Honourable Graydon Nicholas,
Lieutenant-Governor of New Brunswick,
Fredericton, New Brunswick

Sir:

We have audited the combined balance sheet of New Brunswick Power Holding Corporation (the "Corporation") as at March 31, 2010 and the combined statements of (loss) earnings, comprehensive (loss) income, (deficit) retained earnings, accumulated other comprehensive (loss) income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants
June 10, 2010



Gaëtan Thomas
President and CEO



Darren Murphy
VP Finance and CFO

June 10, 2010

COMBINED STATEMENT OF (LOSS) EARNINGS For the year ended March 31 (In Millions)

Revenues	2010	2009
Sales of power		
In-province (Note 3)	\$1,207	\$1,219
Out-of-province (Note 6)	229	217
Transmission revenue (Note 26)	91	89
Miscellaneous	59	73
Gain (loss) on long-term receivable and associated contracts (Note 14)	49	(145)
	1,635	1,453
Expenses		
Fuel and purchased power	887	869
Transmission expense (Note 26)	86	82
Operations, maintenance and administration	447	415
Amortization and decommissioning (Note 7)	199	186
Taxes (Note 8)	40	43
	1,659	1,595
Loss before finance charges, regulatory deferrals, asset impairment and special payments in lieu of income taxes	(24)	(142)
Finance charges (Note 9)	132	140
Loss on impairment of property, plant and equipment (Note 10)	161	-
Regulatory deferrals (Note 15)	(147)	(386)
(Loss) earnings before special payments in lieu of income taxes	(170)	104
Special payments (recovery) in lieu of income taxes (Note 11)	(53)	34
Net (loss) earnings	\$(117)	\$70


COMBINED STATEMENT OF DEFICIT For the period ended March 31 (In Millions)

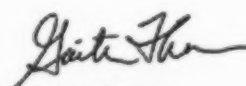
	2010	2009
Retained earnings (deficit), beginning of year	\$39	\$(18)
Net (loss) earnings for the year	(117)	70
Dividends declared (Note 26)	(13)	(13)
(Deficit) retained earnings, end of year	\$(91)	\$39

COMBINED BALANCE SHEET For the year ended March 31 (In Millions)

Current Assets	2010	2009
Cash	\$4	\$6
Accounts receivable (Note 26)	307	290
Materials, supplies and fuel	205	203
Prepaid expenses	9	8
Current portion of long-term receivable (Note 14)	77	147
Current portion of derivative assets (Note 27)	11	82
	613	736
Property, Plant and Equipment (Note 16)		
Land, buildings, plant and equipment, at cost	7,508	7,306
Less: accumulated amortization	3,806	3,721
	3,702	3,585
Long-Term Assets		
Nuclear decommissioning and used nuclear fuel management funds (Note 17)	461	432
Derivative assets (Note 27)	-	2
Regulatory assets (Note 15)	482	317
Other investments and deferred assets (Note 18)	5	7
	948	758
Other Assets		
Future special payments in lieu of income taxes	16	2
Future special payments in lieu of income taxes - other comprehensive income (Note 27)	27	29
Intangible asset (Note 19)	21	21
Deferred pension benefit (Note 20)	52	59
	116	111
Total Assets	\$5,379	\$5,190

On Behalf of The New Brunswick Power Holding Corporation


 Ed Barrett
 Chairman


 Gaëtan Thomas
 President and CEO

COMBINED BALANCE SHEET For the year ended March 31 (In Millions)

Current Liabilities	2010	2009
Short-term indebtedness (Note 21)	\$673	\$450
Accounts payable and accruals (Note 26)	229	265
Accrued interest (Note 26)	35	39
Current portion of long-term debt (Note 22)	99	413
Current portion of derivative liabilities (Note 27)	118	210
	1,154	1,377
Long-Term Debt (Note 22)		
Debentures	3,481	3,051
Deferred Liabilities		
Generating station decommissioning and used nuclear fuel management liability (Note 23)	471	366
Other (Note 24)	95	84
Derivative liabilities (Note 27)	4	7
	570	457
Shareholders' Equity		
Capital stock (Note 12)	140	140
Contributed surplus	187	187
Accumulated other comprehensive loss	(62)	(61)
(Deficit) retained earnings	(91)	39
	174	305
Total Liabilities & Shareholders' Equity	\$5,379	\$5,190

Commitments, contingencies and guarantees (Note 29)

COMBINED STATEMENT OF COMPREHENSIVE (LOSS) INCOME For the year ended March 31 (In Millions)

	2010	2009
Net (loss) earnings	\$(117)	\$70
Other comprehensive loss, net of tax		
Net unrealized (loss) on derivatives designated as cash flow hedges ¹	(108)	(109)
Net unrealized gain (loss) on mark-to-market of nuclear trust funds ²	5	(11)
	(103)	(120)
Reclassification to income of settled derivatives designated as cash flow hedges ³	102	17
Other comprehensive loss, net of tax	(1)	(103)
funds instalments and earnings	(118)	(33)

COMBINED STATEMENT OF COMPREHENSIVE (LOSS) INCOME For the year ended March 31 (In Millions)

	2010	2009
Accumulated other comprehensive (loss) income, beginning of year	\$(61)	\$42
Other comprehensive loss for the year	(1)	(103)
Accumulated other comprehensive loss, end of year	\$(62)	\$(61)

¹ Net of tax credit of \$47 million for the year ended March 31, 2010, as compared to tax credit of \$54 million at March 31, 2009

² Net of tax of \$2 million for the year ended March 31, 2010, as compared to tax credit of \$5 million at March 31, 2009

³ Net of tax of \$45 million for the year ended March 31, 2010, as compared to tax of \$8 million at March 31, 2009

COMBINED STATEMENT OF CASH FLOWS For the year ended March 31 (In Millions)

Operating Activities	2010	2009
Net (loss) earnings for the year	\$(117)	\$70
Amounts charged or credited to operations not requiring a current cash payment (Note 25)	362	203
	245	273
Nuclear decommissioning and used nuclear fuel management		
funds instalments and earnings	(21)	(35)
Decommissioning and used fuel management expenditures	(7)	(2)
Regulatory deferrals excluding mark-to-market adjustments (Note 15)	(230)	(255)
Net change in non-cash working capital balances	(65)	(60)
	(78)	(79)
Investing Activities		
Expenditure on property, plant and equipment, net of proceeds on disposal and customer contributions	(356)	(438)
Recovery of capital (shipments received) (Note 14)	106	57
	(250)	(381)
Financing Activities		
Debt retirements	(414)	(284)
Proceeds from issuance of long-term debt	530	585
Increase in short-term indebtedness	223	178
Dividends paid	(13)	(13)
	326	466
Net cash (outflow) inflow	(2)	6
Cash, beginning of year	6	-
Cash, end of year	\$4	\$6

1. INCORPORATION AND CORPORATE STRUCTURE

Incorporation

New Brunswick Power Corporation (NB Power) was established as a Crown Corporation of the Province of New Brunswick in 1920 by enactment of the New Brunswick Electric Power Act. In 2004, NB Power continued as New Brunswick Power Holding Corporation (Holdco) with new subsidiary operating companies (collectively the NB Power Group or the Group). The subsidiaries include

- New Brunswick Power Generation Corporation (Genco)
 - includes New Brunswick Power Coleson Cove Corporation (Colesonco) and Mine Reclamation Inc. (formerly NB Coal Limited).
- New Brunswick Power Nuclear Corporation (Nuclearco)
- New Brunswick Power Transmission Corporation (Transco)
- New Brunswick Power Distribution and Customer Service Corporation (Disco)

2. BASIS OF PRESENTATION

The accompanying combined financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with the preceding year. The combined financial statements include the accounts of Holdco and those of its subsidiaries listed above (collectively the NB Power Group or the Group).

3. RATE REGULATION

This details the effects of a rate regulated environment and its implications on the following rate regulated operating companies (Transco and Disco).

Transco

Components involved

The key components that play a role in Transco's regulation are as follows:

Component	Function
Open Access Transmission Tariff (OATT)	<p>Establishes</p> <ul style="list-style-type: none"> • access to the province's transmission system, without discrimination, for entities generating and selling power and for customers, whether from inside or from outside the province. • how the NB Power Group raises revenues to operate and maintain the transmission system.
New Brunswick Energy and Utilities Board (EUB)	Oversees and regulates the OATT.
System Operator	<ul style="list-style-type: none"> • Designs and administers the OATT. • Collects revenues from load serving entities – including Genco, Nuclearco and Disco – and reimburses Transco for its revenue requirement.

Expectation of returns

Transco is intended to collect sufficient revenues to cover its costs, and to provide a return on its equity.

The return approved by the regulator for Transco is 9.5 per cent (within a range from 8.5 per cent to 10.5 per cent), and capital of 65 per cent debt and 35 per cent equity.

Disco

Disco is regulated under a system whereby annual average rate increases greater than three per cent or the percentage change in the average Consumer Price Index, whichever is higher, require regulatory approval by the EUB. Under the *EUB Act section 24 (1)* the Minister of Energy may direct the EUB to make an investigation into the need for a rate increase of 3 per cent or less and file the report to the Minister.

Regulatory assets and liabilities

Regulatory assets or liabilities may arise as a result of the rate-setting process. If all the required conditions are met, Transco's and Disco's balance sheet can contain

- Regulatory assets which represent future revenues associated with certain costs incurred in current or prior periods that are expected to be recovered from customers in future periods through the rate-setting process.
- Regulatory liabilities which represent future reductions or limitations of revenue increases associated with amounts that are expected to be refunded to customers.

All amounts deferred as regulatory assets and liabilities are subject to legislation or regulatory approval. As such

- the regulatory authorities could alter the amounts subject to deferral, at which time the change would be reflected in the financial statements
- certain remaining recovery and settlement periods are those expected by management and the actual recovery or settlement periods could differ based on regulatory approval.

For the regulatory deferral related to the Point Lepreau Generating Station refurbishment, the *Electricity Act* was amended to provide guidance on the specific treatment of costs incurred.

For the regulatory deferral related to the lawsuit settlement with PDVSA the EUB ruled on how the settlement benefits would be passed on to customers.

Transco

As at March 31, 2010, Transco has a regulatory asset related to allowance for funds used during construction (AFUDC) which is included in property, plant and equipment (see Note 16). The EUB permits AFUDC to be capitalized monthly on capital construction projects. AFUDC is based on Transco's weighted average cost of capital and is amortized over the future life of the related asset. It is expected to be recoverable through the OATT.

Disco**Point Lepreau Generating Station refurbishment**

At March 31, 2010 Disco has a regulatory deferral asset relating to refurbishing the Point Lepreau Generating Station. This asset accumulates

- the normal period costs (net of any revenues) incurred by Nuclearco, and
- the costs of replacement power incurred by Genco, during the refurbishment period
- less costs included in current rates.

These amounts will be

- recovered from customers over the refurbished station's operating life, and
- reflected in Disco's charges, rates and tolls to customers (section 143.1 of the Electricity Act).

Lawsuit settlement with PDVSA

At March 31, 2010, Disco has a regulatory deferral asset relating to a lawsuit settlement with PDVSA (see Note 15). The settlement's benefits will be

- amortized over the Coleson Cove Generating Station's 23-year useful life
- passed on to customers over 17 years, as approved by the EUB, on a levelized basis.

The regulatory deferral reflects Disco's obligation to pass the settlement's net benefits on to the customers, by reducing future rates. The regulatory deferral is in an asset position because the settlement's net benefits are passed on to the customers faster than they are recognized by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

This describes the accounting policies used in preparing the financial statements. It contains the following sections

- a. Materials, supplies and fuel inventory
- b. Property, plant and equipment
- c. Intangible asset
- d. Foreign exchange transactions
- e. Long-term debt
- f. Asset retirement obligations
- g. Pension plans
- h. Retirement allowance
- i. Early retirement programs
- j. Revenues
- k. Financial instruments
- l. Derivatives
- m. Special payments in lieu of taxes
- n. Consolidation of variable interest entities
- o. Use of estimates

a. Materials, supplies and fuel inventory

Inventories of materials, supplies and fuel other than nuclear fuel are valued at average cost.

Nuclear fuel is valued at cost using the first-in, first-out method.

b. Property, plant and equipment**Cost of additions**

The cost of additions to property, plant and equipment is the original cost of

- contracted services
- direct labour and material
- interest and allowance for funds used during construction
- indirect charges for administration
- asset retirement obligations
- salvage value, and
- other expenses related to capital projects

less

- credits for the value of power generated during commissioning,
- contributions in aid of construction, which include customer contributions, and research and development grants, and
- recovery of capital from lawsuit and insurance settlements.

Generating station decommissioning and management of used nuclear fuel

Property, plant and equipment also includes the present value of asset retirement obligations related to

- the management of used nuclear fuel, and
- decommissioning of the nuclear and thermal generating stations.

Interest and allowance for funds used during construction

Interest during construction is capitalized monthly based on the weighted average cost of long-term debt, except in Transco where AFUDC is capitalized monthly on capital projects based on the weighted average cost of capital.

Cost of retired distribution system assets

The cost of distribution system assets retired, net of dismantlement and salvage, is charged to accumulated amortization as deemed appropriate by the New Brunswick Board of Commissioners of Public Utilities (now the EUB).

Asset amortization

Amortization is provided for all assets sufficient to amortize the net cost of such assets.

Estimated service lives

The estimated service lives of fixed assets are periodically reviewed and any changes are applied prospectively.

The main categories of property, plant and equipment are being amortized on a straight-line basis based on the following estimated service lives

Assets	Years
Power generating stations	
Nuclear generating station*	25 - 50
Hydro generating facilities	35 - 100
Thermal generating stations	25 - 35
Combustion turbine generating stations	25
Transmission system	45 - 60
Terminals and substations	25 - 60
Distribution system	16 - 40
Buildings	40 - 50
Communications and computer systems	3 - 15
Mining equipment	20 - 35
Motor vehicles	3 - 18

*The Nuclear generating station's useful life is based on the refurbished life

Recognizing impairment

The Group evaluates its property, plant and equipment to identify impairment whenever conditions indicate that estimated undiscounted future net cash flows may be less than the net carrying amount of assets. If impairment is identified, an impairment loss will be recognized equal to the amount by which the carrying amount exceeds the fair value.

c. Intangible asset

Intangible assets are recorded at cost on the balance sheet and amortized over their estimated useful lives.

d. Foreign exchange transactions

Monetary assets and liabilities denominated in foreign currencies

- may be hedged using a forward exchange contract, and
- are translated to Canadian dollars as follows

If a forward exchange contract	Then the exchange rate used is
is not in place	the exchange rate prevailing at the balance sheet date.
is in place	the exchange rate established by the terms of the contract.

Exchange gains and losses resulting from foreign currency translation are reflected in earnings.

e. Long-term debt

Long-term debt is classified as other liabilities for financial instrument purposes and is recorded at the amortized cost using the effective interest method (see Note 4k). The estimated fair value of long-term debt is disclosed in the notes to the financial statements using market values or estimates of market values based on debt with similar terms and maturities. Debenture discounts and premiums, and deferred interest related to debt financing, are amortized over the lives of the

issues to which they pertain. These unamortized debt costs are included in long-term debt.

f. Asset retirement obligations

This describes the accounting policies related to asset retirement obligations. It contains information on the

- nuclear and thermal generating stations, and
- hydro generating stations, transmission and distribution assets.

Nuclear and thermal generating stations

NB Power Group provides for the estimated future costs of managing used nuclear fuel, and decommissioning the nuclear and thermal generating stations to return the sites to a state of unrestricted use.

Calculations of anticipated costs

The calculations of the anticipated future costs are based on detailed studies that take into account various assumptions regarding

- the method and timing of dismantling the nuclear and thermal generating stations
- the cost of transporting nuclear material to permanent storage facilities, and
- estimates of inflation rates in the future.

The Group reviews such calculations periodically due to

- potential developments in the decommissioning and used nuclear fuel management technologies, and
- changes in the various assumptions and estimates inherent in the calculations.

The NB Power Group recognizes these liabilities taking into account the time value of money.

Calculation methodology

The Nuclear Waste Management Organization (NWMO) was established by the *Nuclear Fuel Waste Act (NFWA)*. The methodology used by the NB Power Group to calculate the liability for used nuclear fuel management is consistent with the Nuclear Waste Management Organization's (NWMO) recommendations as approved by Natural Resources Canada.

Costs recognized as liabilities

The estimated present values of the following costs have been recognized as a liability as at March 31, 2010

- the fixed cost portion of used nuclear fuel management activities. These are required regardless of the volume of fuel consumed
- the variable cost portion of used nuclear fuel management activities to take into account actual fuel volumes incurred up to March 31, 2010, and
- the costs of decommissioning the nuclear and thermal generating stations at the end of their useful lives.

The liability for used nuclear fuel management is increased for nuclear fuel bundles used each year with the corresponding amounts charged to operations through fuel expense.

The liability accounts are charged for current expenditures incurred related to the following

- used nuclear fuel management, and
- nuclear and thermal plant decommissioning.

Accretion expense

Accretion is the increase in the carrying amount of the liability due to the passage of time.

Accretion is calculated on the liabilities for used nuclear fuel management and nuclear and thermal plant decommissioning. Specifically, the accretion expense is

- calculated using the Group's credit-adjusted risk-free rate, and
- included with amortization expense.

Hydro generating stations, transmission and distribution assets

For hydro generating stations, transmission and distribution assets no removal date can be determined. Consequently a reasonable estimate of the fair value of any related asset retirement obligations cannot be made at this time.

- **Hydro generating stations**

The Group currently has no intention and is not legally obligated to decommission its hydro generating stations. With either maintenance efforts or rebuilding, the assets are expected to be used for the foreseeable future.

- **Transmission and distribution assets**

The NB Power Group expects to use the majority of its transmission and distribution assets for an indefinite period of time.

If at some future date it becomes possible to estimate the fair value cost of removing assets that the Group is legally required to remove, an asset retirement obligation will be recognized at that time.

g. Pension plans

This describes the accounting policies related to pension plans. It contains information on the following

- plans in place
- method to determine accrued benefit obligation
- expected return on plan assets
- actuarial gains and losses, and
- transitional asset.

Plans in place

The NB Power Group employees, excluding Mine Reclamation Inc. employees, are members of the Province of New Brunswick Public Service Superannuation Plan. Mine Reclamation Inc. maintains a private defined benefit pension plan for its employees.

The Province of New Brunswick Public Service Superannuation Plan is a multi-employer, defined benefit plan. Details are as follows

Aspect	Detail
Pension benefits based on	length of service and the average of the highest five consecutive years of earnings
Escalation	annual, based on the Consumer Price Index to a maximum of five or six per cent depending on retirement date.
Contributions	made by the Group and its employees as prescribed in the Public Service Superannuation Act and its regulations.

Method to determine accrued benefit obligation

The projected benefit method is used in determining the accrued benefit obligation. This method involves complex actuarial calculations using several assumptions including discount rates, expected rates of return on plan assets, projected salary increases, retirement age, mortality and termination rates.

Expected return on plan assets

The expected return on plan assets is based on the expected long-term rate of return on plan assets and the market related value of plan assets.

Actuarial gains and losses

Actuarial gains or losses in excess of 10 per cent of the greater of the accrued benefit obligation, and the fair value of the plan assets at the beginning of the year are amortized over the expected average remaining service life of the employee group.

Transitional asset

The transitional asset is the fair market value of the plan assets less the accrued benefit obligation as determined at April 1, 2000, and amortized over the average remaining service life of the employee group.

h. Retirement allowance

The NB Power Group has a retirement allowance program for employees. The program provides a lump-sum payment equal to one week of pay for each full year of employment to a maximum of 26 weeks of pay.

The present value of accrued retirement allowance obligations

- is based on actuarial calculations
- incorporates management's best estimate assumptions on salary and wage projections to expected retirement dates, and
- is amortized on a straight-line basis over the expected average remaining service life of the employee group.

i. Early retirement programs

The present value of the estimated future costs of early retirement programs is charged to earnings in the year the program is accepted by employees, irrespective of when payments are actually made.

j. Revenues**Recognizing revenues**

The NB Power Group recognizes revenue when

- persuasive evidence of an arrangement exists
- delivery has occurred
- the price to the buyer is fixed or determinable, and
- collection is reasonably assured.

Billing schedule

Billing occurs monthly, according to the table below. Revenue in respect of items not billed at the end of a fiscal period is estimated and accrued.

Customer type	Billing schedule
<ul style="list-style-type: none"> residential general service, and most industrial customers 	<ul style="list-style-type: none"> on a cyclical basis (i.e. the date on which a customer is billed each month varies from one customer to the next).
<ul style="list-style-type: none"> industrial transmission, and out-of-province customers 	<ul style="list-style-type: none"> at the end of each month.

k. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity (e.g. accounts receivable/accounts payable).

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued and their characteristics. The instruments are designated into one of five following categories

- held-for-trading
- loans and receivables
- available-for-sale
- other liabilities
- held-to-maturity

Held-for-trading

Financial assets and liabilities in this category are typically acquired with the intention of reselling them prior to maturity. The Group can choose to designate any financial asset or liability as being held for trading.

The following are classified as held-for-trading assets

- cash
- long-term receivable
- derivative assets not in a hedging relationship

The following is classified as a held-for-trading liability

- derivative liabilities not in a hedging relationship

The Group has not designated any non-derivative financial liabilities as held for trading.

Accounting for held-for-trading assets and liabilities

These assets and liabilities are measured at fair value at the balance sheet date. Changes in fair value are included in net earnings. These include

- interest earned
- interest accrued
- realized gains and losses, and
- unrealized gains and losses.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Available-for-sale assets include

- nuclear decommissioning fund
- used fuel management funds.

Accounting for available-for-sale assets

Available-for-sale financial assets are recorded as follows

Asset	Accounting treatment
with quoted market prices in an active market	carried at fair value with <ul style="list-style-type: none"> • unrealized gains and losses recognized outside net earnings, in other comprehensive income. • gains and losses transferred to net earnings when they are realized.
without quoted market prices in an active market	carried at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

Other liabilities

All the Group's financial liabilities, except for derivative liabilities designated as held-for-trading, are included in this category. They are recorded at amortized cost, using the effective interest method.

Effective interest method and transaction costs

The NB Power Group uses the effective interest method to recognize interest income or expense. The effective interest method discounts estimated future cash payments or receipts over an instrument's expected life, or a shorter period if appropriate, down to the net carrying amount at the balance sheet date. The calculation includes earned or incurred

- transaction costs
- fees
- premiums
- discounts.

Transaction costs associated with held-for-trading instruments are expensed as they are incurred.

Fair value

The financial instruments carried at fair value are classified using a fair value hierarchy which has three levels (see Note 27). The hierarchy is based on the inputs used in making the fair value measurement.

1. Derivatives

A derivative is a financial instrument or other contract with all three of the characteristics below

- value changes with underlying variable (e.g. market index)
- little or no initial investment required
- settled at a future date.

Under derivative contracts, the Group settles amounts based on the difference between an index-based monthly cumulative floating price and a fixed price. The resultant fixed price is reflected in net earnings.

Derivative use and documentation

The Group uses derivatives to manage or "hedge" certain exposures. It does not use them for speculative or trading purposes. Certain derivative financial instruments held by the Group are eligible for hedge accounting. To be eligible for hedge accounting the Group formally documents

- all relationships between hedging instruments and hedged items at their inception,
- its assessment of the effectiveness of the hedging relationship, and
- its hedging objectives and strategy underlying various hedge transactions.

This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific forecasted transactions.

Accounting for derivatives

Derivatives eligible for hedge accounting are recognized on the balance sheet at their fair value. The accounting for changes in fair value depends on their effectiveness as a hedges. In broad terms, a derivative is an effective hedge of another item when changes in their fair value or cash flows closely offset each other. Due to the nature of some of the hedging relationships the fair values or cash flows do not perfectly offset, which represents the ineffective portions.

Different portions of changes in a derivative's fair value are recognized as follows

This portion	is recognized in
effective	other comprehensive income, outside net earnings for the year.
ineffective	net earnings.

If a hedging instrument is sold or terminated before it matures, or if it ceases to be effective as a hedge,

- the Group ceases hedge accounting at that point, and
- any gains or losses previously accumulated in other comprehensive income are then recognized immediately in net earnings.

m. Special payments in lieu of taxes

The NB Power Group, excluding Mine Reclamation Inc., is required under the *Electricity Act* to make special payments in lieu of taxes to New Brunswick Electric Finance Corporation (see Note 26). Total special payments in lieu of taxes consist of

- an income tax component based on accounting net earnings multiplied by a rate of 31.00 per cent for the year ended March 31, 2010 as compared to 32.38 per cent for the year ended March 31, 2009
- a capital tax component based on the large corporation tax rules contained in the *New Brunswick Income Tax Act*, the New Brunswick capital tax rate was 0 percent at March 31, 2010 compared to 0.75 percent at March 31, 2009.
- future special payments in lieu of taxes on other comprehensive income based on a rate of 31.00 per cent for the year ended March 31, 2010 as compared to 32.38 per cent for the year ended March 31, 2009.

The Group also recognizes the future special payments in lieu of income taxes benefit of current losses when it is more likely than not that sufficient earnings will be generated in future periods to offset losses previously incurred.

Special payments in lieu of taxes are calculated at the subsidiary operating company level.

n. Consolidation of variable interest entities

Variable interest entities refers to entities subject to consolidation according to the provisions of the CICA accounting guidelines AcG-15.

The NB Power Group has several variable interests in the form of power purchase contracts with third-party corporations. The Group has not consolidated the financial results of these third-party entities.

Rationale: all contracts except one

For all of these contracts except one, it was determined that there is an insignificant amount of variability being absorbed by the Group as a result of these contracts and therefore consolidation is inappropriate.

Rationale: the exception

There is one purchase power contract to purchase all the capacity and electrical energy produced by a 90 MW co-generation facility that began production in December 2004. Purchases under this contract were \$41 million for the year ended March 31, 2010 as compared to \$63 million for the year ended March 31, 2009.

The Group has been unable to obtain the necessary information, and has therefore been unable to assess whether the third-party corporation is a variable interest entity. As a result, the Group has not consolidated the financial results of this third-party entity.

o. Use of estimates

The preparation of financial statements that conform to generally accepted accounting principles requires management to make estimates and assumptions that affect

- the reported amounts of assets and liabilities at the date of the financial statements and
- the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from the estimates. The following table lists the notes that refer to these estimates

Note reference	Estimate
Note 4j	Revenues (billing estimates)
Note 7	Amortization and decommissioning of capital assets
Note 14	Long-term receivable
Note 15	Regulatory assets and liabilities
Note 17	Nuclear decommissioning and used nuclear fuel management funds
Note 20	Deferred pension benefit
Note 23	Generating station decommissioning and used nuclear fuel management liability
Note 24	Deferred liabilities – other
Note 27	Financial instruments

5. CHANGES IN ACCOUNTING POLICIES

Policies that have changed during the year ended March 31, 2010

During the year ended March 31, 2010 the NB Power Group adopted the following recommendations of the Canadian Institute of Chartered Accountants Handbook:

Section	Description and requirement	Effect on 2010 results
Section 3862, Financial Instruments - Disclosures	This Section was amended in June 2009 to improve disclosure concerning fair value.	Additional disclosure provided in Note 27
Section 1100 Generally Accepted Accounting Principles	The temporary exemption, allowing rate regulated entities to not set up future income tax assets and liabilities, has been removed.	There will be no effect on the Corporation's financial results as a result of these amendments.
Section 3465 Income Taxes	Requires the recognition of a separate regulatory asset or liability for the amount of future income taxes expected to be included in future rates, and recovered from or paid to future customers.	No adjustment is required as NB Power calculates taxes based on accounting income and does not make adjustments for expenses in determining taxable income.

Future accounting changes

International Financial Reporting Standards (IFRS)

This describes the issues and impact on the NB Power Group related to implementing IFRS.

Key dates

Date	Event
October 2009	The Accounting Standards Board (AcSB) issued a third, and final IFRS Omnibus Exposure Draft. This Exposure Draft incorporates into Canadian GAAP any amendments made to IFRS since the 2008 Bound Volume was published. It completes the process of incorporating existing IFRS into Canadian GAAP.
April 1, 2011	The transition date for the NB Power Group. This will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended March 31, 2011, and of the opening balance sheet as at April 1, 2010.

6. OUT-OF-PROVINCE REVENUES

Out of province revenues were as follows

	2010	2009
United States customers	\$84	\$47
Canadian customers	145	170
Total out-of-province revenues	\$229	\$217

7. AMORTIZATION AND DECOMMISSIONING

Amortization and decommissioning

	2010	2009
Amortization	\$173	\$165
Decommissioning	26	21
Amortization and decommissioning	\$199	\$186

8. TAXES

Taxes

	2010	2009
Property taxes	\$23	\$22
Utility and right of way taxes	17	17
Special payments in lieu of provincial taxes ⁵	-	4
Taxes	\$40	\$43

⁵The New Brunswick capital tax rate was 0 percent at March 31, 2010 (0.75 percent at March 31, 2009).

9. FINANCE CHARGES

	2010	2009
Interest expense (Note 26)	\$197	\$193
Less: Earnings from trust funds and other investments	(22)	(21)
	175	172
Debt portfolio management fee	26	22
Deferred debt costs	3	2
Realized foreign exchange (gains) or losses	4	(11)
	208	185
Less: Interest capitalized	(76)	(45)
Finance charges	\$132	\$140

Interest paid during the year

Interest paid during the year was \$193 million compared to \$195 million in 2009. Interest received on investments during the year was \$21 million compared to \$21 million in 2009.

10. LOSS ON IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

During the year the Dalhousie Generating Station assets were written down due to impairment as a result of the intent to shut down on March 31, 2011 and decommission the generating station. The assets were written down to \$34 million which represents the net present value of the expected future cash flows of the Station. These cash flows include revenues (capacity, energy, and third party) less operating costs until the station is shut down.

Net book value prior to write-down	\$195
Write-down	161
Net book value after write-down	\$34

11. SPECIAL PAYMENTS IN LIEU OF INCOME TAXES

This describes NB Power Group's special payments in lieu of income taxes. It contains information on the following:

- Special payments in lieu of income taxes for the year
- Future special payments in lieu of income taxes – other comprehensive income.

Special payments for the year

Special payments in lieu of income taxes (recovery) were as follows

	2010	2009
(Loss) earnings before special payments in lieu of income taxes	\$(170)	\$104
Loss not subject to payments in lieu of income taxes (Mine Reclamation Inc.)	15	-
(Loss) earnings subject to special payments in lieu of income taxes	(155)	104
Income tax rate	31.00%	32.38%
	(48)	34
Rate differential related to current year's loss carryback	(5)	-
	\$(53)	\$34

Special payments in lieu of taxes paid during the year were \$8 million compared to \$58 million in 2009.

Future special payments in lieu of income taxes - other comprehensive income

Future special payments for other comprehensive income were as follows

	2010	2009
Other comprehensive loss before special payments in lieu of income taxes	\$(1)	\$(154)
Income tax rate	31.00%	32.38%
Special payments in lieu of income taxes (recovery)	\$-	\$(51)

Special payments in lieu of income taxes (recovery) are calculated at an individual company level.

12. CAPITAL STOCK

The NB Power Group, with Electric Finance's approval, is authorized to issue an unlimited number of Class A or Class B shares without nominal or par value.

Capital stock issued and outstanding is as follows

	Class A	Class B
Number of shares	1	1,006
Voting or non-voting	Voting	Non-voting
Shareholder	New Brunswick Minister of Energy	Electric Finance
Value	Nominal	\$ 140 (stated value)
Dividend entitlement	Cannot be paid dividends until such time that there are no longer any Class B shares outstanding.	Received when declared by the Group's Boards of Directors. The designated percentage of the dividends declared may vary based upon the discretion of the Shareholder and the financial position of the Group. Dividends are declared by Transco and paid at the subsidiary operating company level.

13. CAPITAL MANAGEMENT

The Corporation's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis at the lowest possible cost to customers. The Corporation's borrowings are completed with Electric Finance acting as an agent for the Group with the guarantee of the Province of New Brunswick. The Group is predominantly debt financed.

The Corporation's capital structure includes the following

At March 31	2010	2009
Long-term debt payable within one year	\$99	\$413
Less: Cash	4	6
	95	407
Short-term indebtedness	673	450
Long-term debt	3,481	3,051
Capital stock	140	140
Contributed surplus	187	187
(Deficit) retained earnings	(91)	39
Total Capital	4,485	4,274
Percentage of net debt in capital structure	95%	91%

14. LONG-TERM RECEIVABLE

This describes elements of the lawsuit settlement with Petroleos de Venezuela S.A. (PDVSA). It contains information on the following

- amount and terms of settlement, and
- use and recognition of the settlement.

Amount and terms of settlement

On August 3, 2007, the NB Power Group settled a lawsuit with PDVSA for \$333 million in total. The settlement was as follows

This amount	Was settled as follows
\$115 million	paid by PDVSA on signing.
\$218 million	a commitment by PDVSA to deliver a specified quantity of fuel in the future. The Group assigned a value at the time of the settlement based on <ul style="list-style-type: none"> • forward prices, and • planned delivery dates

Use and recognition of the settlement

For the Group, the lawsuit settlement recovers part of its investment to prepare the Coleson Cove Generating Station to receive and burn Orimulsion fuel. Therefore the majority of the settlement, \$304 million, has been applied to reduce the station's net book value.

The Group will recognize the benefits of the lawsuit settlement through reduced interest and amortization as a result of

- reduced debt levels, and
- reduced net book value of the Coleson Cove Generating Station

During 2009/10, as a result of the settlement

- interest expense was lower by \$7 million, and
- amortization was lower by \$14 million due to the station's reduced net book value.

Ultimately, the settlement's net benefit will be accumulated through a regulatory deferral and passed on to customers, through rate reductions over 17 years as approved by the EUB (see Note 3).

Long-term receivables	2010	2009
Opening balance	\$147	\$307
Shipments received	(106)	(57)
	41	250
Gain (loss) on long-term receivable and associated hedges ⁶		
Total gain (loss) on long-term receivable and associated contracts	49	(145)
Realized cost adjustments	16	10
Unrealized mark-to-market adjustments on associated hedges ⁷	(29)	32
Mark-to-market gain (loss) on long-term receivable	36	(103)
	77	147
Less: current portion	(77)	(147)
Ending Balance	\$-	\$-

⁶ The mark-to-market adjustments are temporary and will reverse when all the fuel shipments have been received. At March 31, 2010 the receivable has an unrealized mark-to-market gain of \$22 million.

⁷ Unrealized (loss) gain on associated freight hedges are recognized in derivative assets/liabilities.

15. REGULATORY ASSETS AND LIABILITIES

Disco has regulatory assets totaling \$482 million at March 31, 2010 compared to \$317 million at March 31, 2009. A reconciliation of the two regulatory assets is as follows

Regulatory asset (liability) - lawsuit settlement with PDVSA	2010	2009
Opening balance	\$77	\$(75)
Deferral adjustment on Statement of (Loss) Earnings		
Amortization and interest savings	(21)	(18)
Unrealized (gain) loss on mark-to-market of long-term receivable	(36)	103
Unrealized (gain) loss on mark-to-market of associated freight hedges	(29)	32
Cost adjustments on shipments received	16	10
Levelized benefit to customers ^a	24	25
	(46)	152
Interest on deferral	2	-
	(44)	152
Closing balance	\$33	\$77
Regulatory asset - Point Lepreau Generating Station refurbishment	2010	2009
Opening balance	\$240	\$2
Deferral adjustment on Statement of (Loss) Earnings		
Period costs	176	176
Additional costs to supply energy	223	267
Offset for costs included in current rates	(206)	(209)
	193	234
	433	236
Interest on deferral	16	4
Closing balance	\$449	\$240
Total regulatory assets	\$482	\$317

^aRelates to the current year portion of the projected benefits of the lawsuit settlement with PDVSA that are passed onto customers on a levelized basis over 17 years.

Regulatory deferral adjustment to (loss) earnings	2010	2009
Lawsuit settlement with PDVSA	\$(46)	\$152
Point Lepreau Generating Station refurbishment	193	234
Regulatory deferral adjustment to (loss)	\$147	\$386

16. PROPERTY, PLANT AND EQUIPMENT

Cost, accumulated amortization and net book value for property, plant and equipment is as follows

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Power generating stations	\$4,364	\$2,747	\$1,617	\$4,411	\$2,655	\$1,756
Transmission system	358	169	189	354	162	192
Terminals and substations	512	287	225	489	276	213
Distribution system	825	409	416	803	394	409
Buildings and properties	62	37	25	60	36	24
Communications and computer systems	142	106	36	129	96	33
Mining equipment	-	-	-	56	53	3
Motor vehicles	68	37	31	58	36	22
Miscellaneous assets	34	14	20	27	13	14
Construction-in-progress	1,143	-	1,143	919	-	919
Total	\$7,508	\$3,806	\$3,702	\$7,306	\$3,721	\$3,585

Construction-in-progress related to the Point Lepreau Generating Station refurbishment at March 31, 2010 was \$942 million compared to \$747 million at March 31, 2009.

The charge for equity capital (allowance for funds used during construction) included for 2010 was \$1 million compared to \$1 million in 2009.

17. NUCLEAR DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT FUNDS

This describes the segregated funds established by NB Power Group regarding nuclear decommissioning and used fuel management. It contains information on the following

- fund requirements
- NB Power Group's funds
- status of NB Power Group's funds.

Fund requirements

The *Nuclear Fuel Waste Act* requires major owners of used nuclear fuel in Canada to establish trust funds to finance the long-term management of used nuclear fuel. In June 2007, the Government of Canada announced its decision to accept the long term disposal plan proposed by the Nuclear Waste Management Organization. This is an entity created by the *Nuclear Fuel Waste Act* and owned by major owners of nuclear used fuel.

The Canadian Nuclear Safety Commission (CNSC) requires the Group to maintain certain segregated funds to meet license conditions for the Point Lepreau Generating Station. The money contained in these established funds will be used to meet the *Nuclear Fuel Waste Act* requirements.

NB Power Group's funds

The NB Power Group has established the following funds, each held in a custodial account.

Fund	Trustee	Purpose	Funding requirement
Decommissioning segregated fund and used nuclear fuel segregated fund	Provincial Minister of Finance	To meet the license conditions for the Point Lepreau Generating Station set by the CNSC	Established yearly based on the current obligations and market value of the funds. The amount of the contribution in the 2009/10 year was nil (2008/09 - \$15 million).
Used nuclear fuel trust fund	Federal Minister of Finance	To meet the <i>Nuclear Fuel Waste Act</i> and to meet the CNSC requirements	The Act requires the Group to deposit to the trust fund an amount based on the approved funding formula. The amount of the contribution in the 2009/10 year was \$14 million (\$3 million related to the 2008/09 funding requirement) (2008/09 - \$4 million).

Status of NB Power Group's funds

The status of each fund is as follows

Nuclear funds

	2010	2009
Nuclear Decommissioning Fund		
Decommissioning segregated fund	\$148	\$137
Used Nuclear Fuel Management Funds		
1. Used nuclear fuel segregated fund	246	246
2. Used nuclear fuel trust fund	67	49
	313	295
Total nuclear decommissioning and used nuclear fuel management funds ⁹	\$461	\$432

⁹Includes a mark-to-market adjustment at March 31, 2010 of \$22 million as compared to \$15 million at March 31, 2009.

18. OTHER INVESTMENTS AND DEFERRED ASSETS

The Group entered into a 15-year agreement to have an outside party build and operate an ash separation facility at the Belledune Generating Station to process the fly ash produced at the plant. The \$6 million investment in 2007 represents the Group's required share of the cost of the facility. Pursuant to this agreement, the Group will receive royalties on the sale of the processed ash over the term of the agreement. The investment is being amortized on a straight line basis over the life of the agreement.

Deferred assets relate to costs incurred for dredging. These costs are being amortized over a period of five years.

Other investments and deferred assets

	2010	2009
Ash separation investment	\$4	\$6
Deferred assets	1	1
	\$5	\$7

19. INTANGIBLE ASSET

In 2007 the Group purchased the Nepisiguit generating facility. The purchase consisted of land, dam, equipment, and the assignment of a statutory right to generate electricity on the Nepisiguit River.

The estimated fair market value of the assignment of rights was \$22 million and is being amortized over the remaining useful life of the facility.

Intangible asset

	2010	2009
Opening balance	\$21	\$22
Amortization	-	(1)
	\$21	\$21

20. DEFERRED PENSION BENEFIT

This describes details associated with NB Power Group's deferred pension benefit. It contains information on the following

- applicable pension plans
- assumptions
- costs
- assets and obligations
- contributions.

Applicable pension plans

NB Power Group employees, excluding Mine Reclamation Inc. employees, are members of the Province of New Brunswick Public Service Superannuation Plan as described in Note 4(g). Pension assets and liabilities for the NB Power Group plan and the Mine Reclamation Inc. plan are measured as at March 31, 2010. The most recent actuarial valuation for funding purposes for the Public Service Superannuation Plan was completed as at April 1, 2008. The next valuation for funding purposes is required to be completed as at April 1, 2011.

Assumptions

Management's significant assumptions include the following

	2010 (%)	2009 (%)
Discount rate used to determine the retirement allowance liability	6.30	6.50
Expected long-term rate of return on plan assets	7.30	7.50
Expected salary increases	2.5	2.5

Costs

The costs recognized and included in operations maintenance and administration expense for the year are

	2010	2009
Current service cost	\$16	\$24
Interest on accrued benefit obligation	72	66
Actual (gain) loss on plan assets	(161)	190
Difference between actual and expected return on plan assets	98	(254)
Actuarial losses (gains) on accrued benefit obligation	27	(201)
Difference between actuarial loss recognized for the year and actuarial loss on accrued benefit obligation for the year	(10)	214
Amortization of transitional asset	(3)	(3)
Settlement loss	1	-
Curtailment gain	(2)	-
	\$38	\$36

In December 2009, NB Coal Ltd. (now Mine Reclamation Inc.) shut-down its coal operations. The former employees of NB Coal Ltd. (now Mine Reclamation Inc.) will cease to earn benefits under the defined benefit pension plan.

The change in the accrued benefit obligation as a result of the elimination of the expected future years of service of active employees created a curtailment gain of \$2 million.

A significant portion of the active members received their entitlement as a lump sum payment out of the plan. The active members' entitlement was removed from both the obligation and the assets thus causing a settlement loss of \$1 million.

Assets and obligations

The status of the assets and obligations of the Group's share of the Public Service Superannuation Plan and NB Coal's private plan as at March 31 was as follows

	2010	2009
Pension fund assets at fair value	\$987	\$840
Accrued benefit obligation	1,178	1,106
Pension deficit	(191)	(266)
Unamortized transitional asset	(19)	(24)
Unamortized losses	262	349
Deferred pension benefit	\$52	\$59

Contributions

In accordance with prescribed regulations, contributions were as follows

	2010	2009
Employee contributions	\$13	\$12
Employer contributions	\$30	\$28

21. SHORT-TERM INDEBTEDNESS

The NB Power Group borrows funds for temporary purposes from Electric Finance. The short-term borrowings due to Electric Finance were \$673 million at March 31, 2010, as compared to \$450 million at March 31, 2009.

22. LONG-TERM DEBT

The Group borrows funds from Electric Finance to finance long-term requirements. This provides details around the Group's long-term debt. It contains information on

- year-end long-term borrowings
- terms
- interest rates
- debt portfolio management fee, and
- principal repayments.

Year-end long-term borrowings

Long-term borrowings at year-end were as follows

	2010	2009
Debentures held by Electric Finance	\$3,645	\$3,508
Other	1	1
	3,646	3,509
Unamortized deferred debt costs	(66)	(45)
	3,580	3,464
Less: Current portion	(99)	(413)
Long-term debt	\$3,481	\$3,051

Terms

The maturity dates of the debentures range from 2010 to 2039. The terms of the debentures are such that the Group is required to make annual principal repayments of one per cent of the original amount of each debenture on the anniversary date of its maturity. These payments will be made until the actual maturity dates of the debentures, at which time the remaining principal amounts will be repaid.

Interest rates

The debentures bear interest at fixed rates ranging from 3.35 to 8.75 per cent. The weighted average coupon interest rate on all debentures outstanding at March 31, 2010 is 5.23 per cent as compared to 5.46 per cent at March 31 2009.

Debt portfolio management fee

The Group pays an annual debt portfolio management fee to Electric Finance amounting to 0.6489 per cent of the total of long-term debt and short-term indebtedness, measured as at the beginning of the fiscal year.

Principal repayments

Long-term debt principal repayments are due as follows

Year Ending	Principal Repayment
March 31, 2011 - current portion	\$99
March 31, 2012	545
March 31, 2013	471
March 31, 2014	176
March 31, 2015	26
March 31, 2016 and thereafter	2,329
Long-term portion	\$3,547
	\$3,646

23. GENERATING STATION DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT LIABILITY

This provides details of NB Power Group's asset retirement obligations. It contains information on

- nature of the liability
- assumptions used for the liabilities
- liabilities at year-end

Nature of the liability

Details of the liabilities are as follows:

Liability	Nature	Funding details
Thermal generating station decommissioning	Cost of decommissioning the thermal generating stations after the end of their service lives.	The liability is not funded.
Nuclear generating station decommissioning	Cost of decommissioning the nuclear generating station after the end of its service life.	See Note 17 for details on the funding of this liability.
Used nuclear fuel management	Cost of interim and long-term management of used nuclear fuel bundles generated by the nuclear generating station.	See Note 17 for details on the funding of this liability.

Assumptions used for the liabilities

The key assumptions on which the liabilities were based are as follows

	Thermal decommissioning	Nuclear decommissioning	Used nuclear fuel management
Undiscounted amount of estimated cash flows to settle liability			
- 2010	\$ 160	\$ 872	\$ 787
- 2009	\$ 124	\$ 702	\$ 770
Reason for the increase	Escalation and changes to the liability resulting from updated cost estimates and revisions to timing of cash flows.	Escalation and changes to the liability resulting from a recent study which determined certain decommissioning costs needed to be increased.	Escalation
Cash expenditures required until the year	2035	2076	2174
Rate used to discount cash flows	7.1%	7.1%	7.1%
- for initial recognition of the liability			
- for subsequent recognition of additional liability	5.3 to 6.3%	5.9%	5.2 to 5.9%
Inflation rate to determine asset retirement obligation	2.0%	2.0%	1.8 to 3.6%

Liabilities at year-end

The liabilities for thermal generating and nuclear generating stations decommissioning and used nuclear fuel management consists of the following

	2010	2009
Balance, beginning of year	\$55	\$54
Add: Liabilities incurred, including revisions to cash flows	35	-
Add: Accretion expense	5	3
Less: Expenditures	(2)	(2)
Balance, end of year	\$93	\$55
Nuclear generating station decommissioning liability		
Balance, beginning of year	\$88	\$82
Add: Liabilities incurred, including revisions to cash flows	52	-
Add: Accretion expense	6	6
Balance, end of year	\$146	\$88
Used nuclear fuel management liability		
Balance, beginning of year	\$223	\$211
Add: Accretion expense	12	12
Less: Expenditures	(3)	-
Balance, end of year	\$232	\$223
Total generating station decommissioning and used nuclear fuel management liability	\$471	\$366

24. DEFERRED LIABILITIES – OTHER

This provides details around the NB Power Group's other deferred liabilities. It contains information on the following

- early retirement liability
- retirement allowance liability
- Mine Reclamation Inc. environmental liability.

The table below summarizes the Group's deferred liabilities - other

	2010	2009
Early retirement programs	\$56	\$47
Retirement allowance program	26	24
Other future employee benefits payable	5	5
Mine Reclamation Inc. land reclamation	3	3
Mine Reclamation Inc. environmental liability	10	10
	100	89
Less: Amounts due within one year ¹⁰	(5)	(5)
Deferred liabilities - other	\$95	\$84

¹⁰Amounts due within one year are included in accounts payable and accruals.

Early retirement liability

The NB Power Group has an unfunded early retirement program as described in Note 4(i). The latest actuarial calculation to estimate the liability was completed as at April 1, 2008.

The table below shows

- Management's significant assumptions
- the costs recognized for the period, and
- the status of the obligation of the Group at year end.

	2010	2009
Assumption		
Discount rate used to determine the early retirement liability	6.30%	6.50%
Cost		
Interest on early retirement liability	\$4	\$4
Special termination benefits ¹¹	9	-
Costs recognized for the year	\$13	\$4
Obligation		
Accrued benefit obligation	\$57	\$47
Unamortized losses	(1)	-
Early retirement liability	\$56	\$47

¹¹During the year special termination benefits of \$9 million were recognized. These costs were associated with the shut-down of the coal operations at Mine Reclamation Inc. and the Grand Lake Generating Station

Recording the early retirement liability

The cumulative amount expensed in excess of amounts paid out under the early retirement program is recorded as a deferred liability.

Retirement allowance liability

The Group has a unfunded retirement allowance program as described in Note 4(h). The latest actuarial calculation to estimate the liability was completed as at April 1, 2008.

Assumptions

Management's significant assumptions include the following

	2010	2009
	%	%
Discount rate used to determine the retirement allowance liability	6.30	6.50
Expected salary increases	2.5	2.5

This table shows

- the costs recognized for the year, and
- the status of the obligation of the Group at year-end

	2010	2009
Costs recognized for the year		
Current service cost	\$2	\$2
Interest on retirement allowance liability	3	4
Settlement loss	1	-
Costs recognized for the year	\$6	\$6

Obligation

Accrued benefit obligation	\$41	\$36
Unamortized losses	(15)	(12)
Retirement allowance liability	\$26	\$24

Recording the retirement allowance liability

The cumulative amount incurred in excess of amounts paid out under the retirement allowance program is recorded as a deferred liability.

Mine Reclamation Inc. environmental liability

The Group and its subsidiary Mine Reclamation Inc. have a long-term plan to treat acidic water drainage from an inactive mine. Mine Reclamation Inc. has recognized an unfunded environmental liability equal to the net present value of the expected future costs using a discount rate of 7.75% (2009 - 7.75%).

The liability is as follows

	2010	2009
Balance, beginning of year	\$10	\$9
Add: Accretion expense	1	1
Less: Expenditures	(1)	-
Balance, end of year	\$10	\$10

Cash flows required to settle the liability

The total undiscounted amount of the estimated cash flows required to settle the liability is \$11 million.

25. AMOUNTS CHARGED OR CREDITED TO OPERATIONS NOT REQUIRING A CURRENT CASH PAYMENT

The amounts are as follows

	2010	2009
Amortization, decommissioning, and gain or loss on disposal	\$197	\$186
Retirement expense payments	11	3
Pension expense less related funding	7	8
Impairment of property, plant and equipment	161	-
Future payments in lieu of income taxes	(14)	6
	\$362	\$203

26. RELATED PARTY TRANSACTIONS

Related parties of the NB Power Group include Electric Finance, System Operator, and the Province of New Brunswick.

Electric Finance and the System Operator were established by the Electricity Act as follows:

- New Brunswick Electric Finance Corporation (Electric Finance), a Crown Corporation and agent of the Crown, whose purpose is to facilitate the conversion of Holdco's debt to appropriate levels in the subsidiary operating companies and to assume and reduce the remaining portion of NB Power's debt
- New Brunswick System Operator (System Operator), a not-for-profit body whose purpose is to independently direct the operation of the electricity market, and maintain the long-term adequacy and reliability of the electricity system.

This note outlines transactions with these related parties.

Revenues and expenses

The following related party revenues and expenses are included in the financial results for the year ended March 31, 2010

	Electric Finance		System Operator	
	2010	2009	2010	2009
Revenues				
Transmission revenue	\$-	\$-	\$91	\$89
Miscellaneous revenue	-	-	5	6
	-	-	96	95
Expenses				
Transmission expense	-	-	86	82
Other	-	-	-	(4)
Interest expense	197	193	-	-
Debt portfolio management fee	26	22	-	-
Special payments in lieu of provincial capital taxes	-	4	-	-
Special payments in lieu of income taxes	(53)	34	-	-
	170	253	86	78

Receivables and payables

The following related party receivable and payable balances existed as at March 31, 2010

	Electric Finance		System Operator	
	2010	2009	2010	2009
Accounts receivable	\$59	\$16	\$11	\$11
Accounts payable	3	9	7	9
Accrued interest payable	35	39	-	-

The amounts included in accounts receivable and accounts payable for related parties are subject to the normal payment terms extended to unrelated parties.

Dividends

During the year the Group declared \$13 million in dividends, as compared to \$13 million in 2009, payable to Electric Finance.

Debt and guarantees

The Group has debt payable to Electric Finance (Note 21 and 22) which is guaranteed by the Province of New Brunswick.

Electric Finance has provided certain guarantees for the Group to significant third-party creditors with respect to banking arrangements, trade payables and derivative financial instrument obligations.

Payments to the Province of New Brunswick

During the year the Group made payments to the Province of New Brunswick for property taxes, utility taxes, and right of way taxes of \$40 million, as compared to \$43 million for the year ended March 31, 2009 (see Note 8). The Group also made payments to New Brunswick Investment Management Corporation related to pension plans (see Note 20).

27. FINANCIAL INSTRUMENTS

A financial instrument (see Note 4(k)) is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity (e.g. accounts receivable/ accounts payable).

Fair value of financial instruments

Fair value represents an estimate of the consideration that would be agreed on in an arm's length transaction between knowledgeable, willing parties under no compulsion to act.

A financial instrument's fair value at a given date (including fair values of forward contracts used for hedging purposes, and other derivative positions) reflects, among other things, differences between the instrument's contractual terms and the terms currently available in the market.

The financial instruments carried at fair value are classified using a fair value hierarchy which has three levels.

Hierarchy Level	Fair values are determined	Includes these financial instruments
1	using inputs that are quoted prices in active markets for identical assets or liabilities.	<ul style="list-style-type: none"> the nuclear decommissioning fund the used fuel management funds other financial assets and liabilities (the fair value approximates the carrying value due to their short-term maturity)
2	using internal models using observable market prices as inputs	<ul style="list-style-type: none"> the long-term receivable derivative assets derivative liabilities long-term debt
3	based on internal models using inputs that are not based on observable market data.	The Group currently does not have any fair values in level 3.

Valuation dates

For all of its financial assets and liabilities, the Group discloses fair values as at March 31, 2010.

Outstanding financial instruments

This details the Group's outstanding financial instruments at March 31, 2010. It contains information on the following instruments

- Long-term debt
- Nuclear decommissioning and used fuel management funds
- Long-term receivable (PDVSA settlement)
- Derivative instruments in hedging relationships
 - foreign exchange contracts
 - heavy fuel oil contracts
 - natural gas contracts
 - freight contracts
 - electricity contracts
 - interest rate contracts
- Other financial assets and liabilities

a. Long-term debt

This financial instrument is categorized within financial instruments as other liabilities and is therefore recorded on the Group's Balance Sheet at book value.

At March 31, the Group had outstanding long term debt as follows:

	Hierarchy level	2010	2009
Book value (see Note 22)		\$3,580	\$3,464
Fair value	2	\$3,797	\$3,673

b. Nuclear decommissioning and used fuel management funds

This financial instrument is categorized as available-for-sale and is recorded on the Combined Balance Sheet at fair value.

At March 31, the Group had outstanding nuclear decommissioning and used fuel management funds as follows

	Hierarchy level	2010	2009
Book value		\$439	\$417
Fair value (see Note 17)	1	\$461	\$432
Gain in market value (included in AOCI)		\$22	\$15

c. Long-term receivable (PDVSA settlement)

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

At March 31, the Group had an outstanding long-term receivable valued as follows

	Hierarchy level	2010	2009
Book value		\$55	\$161
Fair value (see Note 14)	2	\$77	\$147
Gain (loss) in market value (included in retained earnings)		\$22	\$(14)

d. Derivative instruments in hedging relationships¹³**i. Foreign exchange contracts**

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

The Group hedges exchange risk relating to net forecasted US dollar requirements, by entering into forward contracts to sell Canadian dollars and to acquire US dollars. At March 31, it had outstanding contracts maturing over the next 15 months as follows

	Hierarchy level	2010	2009
Net commitment to purchase (\$ US in millions)		\$479	\$536
Weighted average exchange rate (\$ US / \$ CAD)		1.1008	1.0834
Fair value (liability) asset	2	\$(39)	\$92

¹³ A derivative asset represents a favorable mark-to-market position, whereas a derivative liability represents an unfavorable mark-to-market position.

ii. Heavy fuel oil contracts

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

The Group hedges its anticipated exposure to changes in the cost of heavy fuel oil.

At March 31, it had net outstanding contracts maturing over the next 11 months as follows

	Hierarchy level	2010	2009
Net notional amount (in millions of barrels)		0.8	1.2
Weighted average fixed price (in \$ US per barrel)		\$61.12	\$69.97
Fair value asset (liability)	2	\$12	\$(39)

iii. Natural gas contracts

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

The Group hedges its anticipated exposure to changes in natural gas prices. At March 31, it had outstanding contracts maturing over the next 17 months as follows

	Hierarchy level	2010	2009
Net notional amount (in mmbtu)		12.6	12.9
Weighted average fixed price (in \$ US per btu)		\$8.23	\$11.43
Fair value liability	2	\$(32)	\$(78)

iv. Freight contracts

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

A portion of the Group's fuel freight costs are based on an index price. The Group hedges its anticipated exposure to changes in this index. At March 31, it had outstanding contracts maturing on April 1, 2010.

	Hierarchy level	2010	2009
Notional amount (in metric tonnes)		170.0	865.0
Weighted average fixed price (index value)		2,330	6,004
Fair value asset (liability)	2	\$1	\$(28)

v. Electricity contracts

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

The Group hedges, to the extent possible, its anticipated exposure relating to changes in electricity prices. These changes affect both

- the price the Group receives on its export sales of electricity
- the price it pays on out-of-province purchases.

Sales contracts

At March 31 the Group had outstanding electricity sale contracts maturing over the next 21 months as follows

	Hierarchy level	2010	2009
Net notional amount (in millions of MWh)		0.2	0.3
Weighted average fixed price (in \$ US per MWh)		\$71.00	\$71.00
Fair value asset	2	\$5	\$7

Purchase Contracts

At March 31 the Group had outstanding electricity purchase contracts maturing over the next 35 months as follows

	Hierarchy level	2010	2009
Net notional amount (in millions of MWh)		3.7	2.3
Weighted average fixed price (in \$ US per MWh)		\$53.53	\$63.12
Fair value liability	2	\$(55)	\$(36)

vi. Interest rate contracts

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

At March 31, 2009 the Group had hedged the interest rate risk associated with the Point Lepreau Generating Station refurbishment borrowings. The Group

- entered into contracts to exchange monthly payments based on the difference between a fixed rate and a monthly cumulative floating rate, and
- will recognize the difference paid or received as an adjustment to finance charges, over the life of the hedged borrowings.

At March 31, 2010 the Group had no outstanding interest rate hedges.

	Hierarchy level	2010	2009
Net notional amount		\$-	\$200
Fair value liability	2	\$-	\$(43)

e. Other financial assets and financial liabilities

The fair value of other financial assets and financial liabilities on the balance sheet approximate their carrying values due to their short-term maturity.

Summary of impacts of financial instruments

The following table summarizes the impact of financial instruments recorded on the balance sheet at March 31, 2010. These include

- the fair value of the derivative instruments in hedging relationships
- the accrued settlement value on the derivatives no longer qualifying for hedge accounting, and
- the market value change on the long-term receivable and nuclear trust funds

	Nuclear Trust Funds	Long term receivable PDVSA ¹⁵	Foreign Exchange	Heavy Fuel Oil	Natural Gas	Freight	Electricity Sale	Electricity Purchase	Interest Rates	Total
Accrued settlement value on forward contracts not qualifying for hedge accounting ¹⁴	-	-	(3)	1	-	-	5	(1)	-	2
Mark-to-market on long-term receivable - PDVSA	-	22	-	-	-	-	-	-	-	22
Included in retained earnings/deficit	-	22	(3)	1	-	-	5	(1)	-	24
Current portion of derivative assets	-	-	-	11	-	-	-	-	-	11
Mark-to-market on Nuclear Funds (Note 17)	22	-	-	-	-	-	-	-	-	22
Current portion of derivative liabilities	-	-	(35)	-	(31)	-	-	(52)	-	(118)
Long-term portion of derivative liabilities	-	-	(1)	-	(1)	-	-	(2)	-	(4)
Included in AOCI	22	-	(36)	11	(32)	-	-	(54)	-	(89)
Assets (liabilities)	22	22	(39)	12	(32)	-	5	(55)	-	(65)

¹⁴Included in accounts receivable and/or accounts payable

¹⁵Included in long-term receivable, loss is offset by a regulatory deferral.

The impact of financial instruments at March 31, 2010 resulted in a net liability position of \$65 million (see previous table). Of the \$65 million recognized on the balance sheet

- \$24 million gain is recognized in retained earnings
- \$89 million loss (\$62 million loss after tax) is recognized in accumulated other comprehensive income (AOCI)

A reconciliation of these amounts are summarized in the following tables

The retained earnings impact table includes financial instruments that do not qualify for hedge accounting.

Retained earnings impact	Nuclear Trust Funds	Long term receivable PDVSA ¹⁶	Foreign Exchange	Heavy Fuel Oil	Natural Gas	Freight ¹⁶	Electricity Sale	Electricity Purchase	Interest Rates	Total
Balance - April 1, 2009	-	(14)	10	1	-	(28)	7	(8)	-	(32)
Current year adjustments										
Mark-to-market of lawsuit settlement and related hedges	-	36	-	-	-	28	-	-	-	64
De-designated hedge adjustments	-	-	(4)	(8)	(1)	-	2	(1)	-	(12)
Settlement of hedges previously de-designated	-	-	(9)	8	1	-	(4)	8	-	4
	-	36	(13)	-	-	28	(2)	7	-	56
Balance - March 31, 2010	-	22	(3)	1	-	-	5	(1)	-	24

¹⁶The earnings impact (before regulatory deferral) of the mark-to-market of the long-term receivable and freight contracts related to PDVSA lawsuit settlement shipments are fully offset through a regulatory deferral.

The AOCI impact table includes financial instruments that qualify for hedge accounting.

AOCI Impact	Nuclear Trust Funds	Long term receivable PDVSA	Foreign Exchange	Heavy Fuel Oil	Natural Gas	Freight	Electricity Sale	Electricity Purchase	Interest Rates	Total
Accumulated other comprehensive income (loss) (before tax) - April 1, 2009	15	-	84	(40)	(78)	-	-	(28)	(43)	(90)
Current year impact of mark-to-market adjustments ¹⁷	7	-	(120)	51	46	-	-	(26)	43	1
	22	-	(36)	11	(32)	-	-	(54)	-	(89)
Future special payments in lieu of income taxes reflected in AOCI	(7)	-	11	(4)	10	-	-	17	-	27
Accumulated other comprehensive income (loss) - March 31, 2010	15	-	(25)	7	(22)	-	-	(37)	-	(62)

¹⁷The current year's impact of mark-to-market adjustments does not reflect the impact of year-over-year tax rate changes of \$2 million which is not reflected in the OCI statement.

28. FINANCIAL INSTRUMENT RISK MANAGEMENT

This describes the following types of risk:

- credit risk
- market risk, and
- liquidity risk

Credit Risk

Credit risk is a risk that a financial loss will occur due to a counterparty failing to perform its obligations under the terms of a financial instrument.

Managing credit risk

To manage credit risk, the Group

- conducts a thorough assessment of counterparties prior to granting credit, and
- actively monitors the financial health of its significant counterparties, and the potential exposure to them on an on-going basis.

The following is a summary of the fair value of the Group's financial instruments that were exposed to credit risk at March 31

		2010	2009
Financial assets	Designated category	Fair value	Fair value
Cash	Held for trading	\$4	\$6
Accounts receivable	Loans and receivables	307	290
Long-term receivable	Held for trading	77	147
Derivative assets	Held for trading	11	84
Nuclear decommissioning and used nuclear fuel management funds	Available for sale	461	432
		\$860	\$959

Cash

The credit risk associated with cash is considered to be low as the funds are deposited with Canadian chartered banks.

Accounts receivable

Accounts receivable is largely a combination of receivables from residential and commercial customers in-province and out-of-province. To reduce credit risk, the Group monitors outstanding receivables and pursues collection of overdue amounts.

The following table shows a summary of accounts receivable by the number of days outstanding for the Group as at March 31

Accounts receivable	2010	2009
Trade		
Current	\$153	\$184
60-89 days	10	3
Greater than 90 days	21	8
	184	195
Allowance for doubtful accounts	(7)	(8)
Miscellaneous ¹⁹	71	87
Special payments in lieu of income taxes	59	16
	\$307	\$290

¹⁹Miscellaneous receivables include non-electricity sales, accruals and accrued hedge settlements.

Allowance for doubtful accounts

The allowance for doubtful accounts is

- reviewed on a regular basis, and
- based on the estimate of outstanding accounts that are at risk of being uncollectible.

Reconciliation of allowance for doubtful accounts	2010	2009
Balance, beginning of year	\$8	\$4
Increase during the year	7	6
Bad debts recovery during the year	(1)	1
Bad debts written off during the year	(7)	(3)
	\$7	\$8

Concentration of credit risk

No significant concentration of credit risk exists within accounts receivable as the receivables are spread across numerous in-province and out-of-province customers. In certain circumstances the Group holds deposits or requires letters of credit.

Nuclear decommissioning and used fuel management funds

The Group limits its credit risk associated with the nuclear decommissioning and used fuel management trust funds by investing in liquid securities tied to creditworthy counterparties. The current portfolio comprises mainly provincial and federal government bonds. The related credit risk associated with these funds is considered to be low.

Long-term receivable (PDVSA settlement)

The long-term receivable represents a contractual commitment by PDVSA to deliver fuel over a period of time. The Group is receiving fuel deliveries on a consistent basis as scheduled. The receivable balance will continue to decline as the remaining outstanding deliveries are received.

Derivative assets

The Group only enters into derivative financial instrument transactions with highly creditworthy counterparties. All of the counterparties with which the Group has outstanding positions have investment grade credit ratings assigned to them by external rating agencies.

The Group

- monitors counterparty credit limits on an ongoing basis, and
- requests collateral for exposures that exceed assigned credit limits.

There is a concentration of credit risk at March 31, 2010 in relation to derivative assets, as the bulk of the derivative asset balance is tied to a few counterparties. However, since the majority of the amount is associated with counterparties that are Canadian chartered banks and other reputable financial institutions the associated credit risk is considered to be low.

Market Risk

Market risk is the risk that the Group's earnings or financial instrument values will fluctuate due to changes in market prices.

The Group is exposed to a variety of market price risks such as changes in

- foreign exchange rates
- interest rates
- commodity prices, and
- freight prices.

The Group manages these exposures through the use of forwards and other derivative instruments in accordance with Board approved policies.

The following table provides a sensitivity analysis which shows the dollar value impact of small changes in various market rates and prices. The amounts shown are derived from outstanding volumes of financial instruments that existed at March 31, 2010.

(millions of dollars)	Impact on earnings before special payments in lieu of income taxes ¹⁹	Impact on other comprehensive income before tax
Exchange and interest rates		
1 cent change in the CAD/USD exchange rate	\$ -	\$ 5
.25% change in Canadian interest rates	-	-
.5% change in short-term debt rates	3	-
.5% change in investment yields	-	25
Commodity prices		
\$5/bbl change in the price of heavy fuel oil	-	4
\$1/mmbtu change in natural gas prices	-	12
\$5/MWh change in electricity prices	1	18
Freight prices		
400 basis point change in the Baltic Dry Index ²⁰	-	-

¹⁹These impacts are not included in other comprehensive income as the financial instruments are either not derivatives or not eligible for hedge accounting.

²⁰The Index tracks worldwide international shipping prices of various dry bulk cargoes.

Long-term receivable (PDVSA settlement)

The value of the long-term receivable (PDVSA settlement) is impacted by market price changes in

- foreign exchange, and
- various commodity prices.

Changes in the market value of the receivable are partially offset by changes in other derivative instruments. The net impact of these changes is included in the regulatory deferral account. As the mark-to-market adjustments are temporary and will reverse when all the fuel shipments have been received, the amount remaining in the deferral is the savings from the lawsuit settlement.

Liquidity Risk

Liquidity risk is a risk that the Group will have difficulty or be unable to meet its financial obligations associated with financial liabilities.

The Group forecasts its financing requirements on a consistent basis so that it can plan and arrange for financing to meet financial obligations as they come due. The following table summarizes the contractual maturities of the Group's financial liabilities at March 31, 2010 and in future years

Financial liability	Carrying amount	Contractual cash flows	2011	2012	2013	2014 and thereafter
Short-term indebtedness	\$673	\$673	\$673			
Accounts payable and accruals	229	229	229			
Accrued Interest	35	35	35			
Derivative liabilities	122	122	118	4		
Long-term debt	3,580	3,646	99	545	471	2,531
Interest on long-term debt	-	1,793	188	178	148	1,279
	\$4,639	\$6,498	\$1,342	\$727	\$619	\$3,810

The Group has the ability to generate sufficient funding to meet these financial obligations.

29. COMMITMENTS, CONTINGENCIES AND GUARANTEES

This details the commitments, contingencies and guarantees in place at NB Power.

Belledune Wharf

The Group has entered into an operating lease agreement for use of the port facility at Belledune. The agreement expires in 2013 with a 20-year renewal option. This lease provides for annual charges of approximately \$5 million.

Courtenay Bay Generating Station

This details the agreements that the Group has in place regarding the Courtenay Bay Generating Station. It contains information on agreements in the following areas

- rental of site facilities
- power purchase and transmission access
- natural gas transportation service.

Rental of site facilities

The Group has entered into a lease agreement for rental of site facilities. The agreement expires in 2021 with a five-year option to extend.

Power purchase and transmission access

The Group has a related power purchase and transmission access agreement. The agreement expires in 2021 with a five-year option to extend with the same third party.

The Group will purchase all the electrical energy produced by a 280 MW combined cycle natural gas unit during the winter period, November 1 to March 31, and from time-to-time some or all of the electrical energy produced during the summer period.

Natural gas transportation service

The Group has entered into an agreement expiring in 2015 for firm natural gas transportation service to Courtenay Bay Generating Station. The cost of transportation will be recovered from the tenant that is a party to the lease agreement mentioned above.

Power purchase agreements

The Group has other power purchase agreements with third parties, as follows

Initial duration of agreement	End date	Amount of energy	Agreement to purchase
20 years	2024	90 MW	all the capacity and electrical energy produced by a co-generation facility.
30 years	2027	38.5 MW	38.5 MW capacity and energy from a co-generation facility.
25 years	2033	96 MW	all the electrical energy of a wind generation facility.
5 years	2014	90 MW	90% of all the electrical energy of a wind generation facility.
20 years	2029	48 MW	all the electrical energy of a wind generation facility to be constructed by third parties.
20 years	2029	51 MW	all the electrical energy of a wind generation facility to be constructed by third parties.
25 years	2034	49.5 MW	all the electrical energy of a wind generation facility to be constructed by a third party.
25 years	2034	64.5 MW	all the electrical energy of a wind generation facility to be constructed by a third party.

Fuel supply agreement

On August 3, 2007 Holdco settled legal action against Petroleos de Venezuela, S.A. (PDVSA) and others. The settlement included an in-kind portion representing a commitment to deliver a specified quantity of fuel which is expected to be fulfilled by July 2010.

Point Lepreau Generating Station refurbishment project

The Group will refurbish the Point Lepreau Generating Station replacing key components of the reactor and upgrading other major plant systems. This project is expected to extend the operating life of the facility by approximately 25 years.

Total construction costs, excluding fuel and purchased power costs, are expected to be approximately \$1.2 billion.

The project was originally scheduled for completion in September 2009 and is now expected to be completed by the spring of 2011.

The Station shut down on March 28, 2008 for completion of the retubing and refurbishment work. Expenditures to March 31, 2010 were \$1 billion (\$60 million capitalized, \$940 million construction-in-progress).

Point Lepreau Generating Station turbine upgrade project

The Group is proceeding with the replacement of three low pressure turbine rotors. The budget for the project is \$65 million. This project will be completed within the Point Lepreau Generating Station outage period. Expenditures to March 31, 2010 were \$53 million.

Transmission power line

To ensure financial viability of the International Power Line project, the Corporation signed Commitment Agreements with load serving entities in the Maritimes for the equivalent of long-term firm transmission reservations through fiscal 2032.

Transmission reservations

For the purposes of delivering electricity to out-of-province markets, the Group has committed to long-term transmission reservations with the System Operator.

Ancillary Services contracts

The NB Power Group has entered into three ancillary services contracts with the System Operator. The Group's obligation is to supply ancillary services for the life of the heritage assets (generation assets that were already held prior to restructuring). The services provided are

- reactive power and voltage support
- automatic generation control
- load following
- operating reserve, and
- black start capability.

Legal Proceedings

The NB Power Group may, from time to time, be involved in legal proceedings, claims and litigations that arise in the ordinary course of business which the Group believes would not reasonably be expected to have a material adverse effect on the financial condition of the NB Power Group.

30. SEGMENTED INFORMATION

This provides information for the specific segments that make up the NB Power Group. It contains information on the following

- the Group's five business segments
- significant inter-company agreements
- financial overview for the current and previous years.

The Group's five business segments

The Group is organized and operates under the following five reportable business segments.

Business segment	Responsibility
Genco	operating and maintaining the oil, hydro, coal, and diesel-powered generating stations.
Nuclearco	operating and maintaining the Point Lepreau Generating Station.
Transco	operating and maintaining the transmission system.
Disco	operating and maintaining the distribution system. Disco is designated as the standard service supplier for the Province of New Brunswick and is obligated to provide standard services to residential, commercial, wholesale and industrial customers located throughout the province.
Holdco (unconsolidated)	providing <ul style="list-style-type: none"> • strategic direction, governance and support to the other business segments for communications, finance, human resources, legal, governance, and risk management, and • shared services on a cost-recovery basis.

Significant inter-company agreements

The Group has entered into a number of significant inter-company power purchase agreements. They are as follows

- power purchase agreement – Disco and Nuclearco
- power purchase agreement – Disco and Colesonco, and
- power purchase agreement – Disco and Genco.

Power purchase agreement – Disco and Nuclearco

Disco and Nuclearco entered into a power purchase agreement as follows

Aspect	Detail
Terms of the agreement	Disco purchases 95 per cent of <ul style="list-style-type: none"> • the Point Lepreau Generating Station's 635 MW capacity, and • the electricity produced.
Expiration	The agreement expires 25 years after the Station returns to service following refurbishment. Disco has annual renewal options thereafter.

Power purchase agreement – Disco and Colesonco

Disco and Colesonco entered into a 25-year tolling agreement as follows

Aspect	Detail
Terms of the agreement	Disco purchases tolling capacity and related services to convert fuel to electricity. The agreement requires the sale of all energy generated at Coleson Cove Generating Station to Disco.
Expiration	The agreement expires in March 2030.

Power purchase agreement – Disco and Genco

Disco and Genco entered into a long-term power purchase agreement as follows

Aspect	Detail
Terms of the agreement	<p>Genco supplies capacity and energy to Disco.</p> <p>The commitment at March 31, 2010 was 2,425 MW of base capacity and 1,258 MW of peaking capacity.</p> <p>Under the agreement,</p> <ul style="list-style-type: none"> • Disco sells and Genco purchases all capacity and energy Disco receives under the Disco/Colesonco power purchase agreement. • Genco is responsible to procure and deliver fuel on behalf of Disco to Coleson Cove Generating Station.
Expiration	<p>The agreement expires when</p> <ul style="list-style-type: none"> • all of Genco's heritage assets, including third-party power purchase agreements, are retired or expire, or • Disco reduces its nominated capacity under the terms of the agreement to zero.

Financial Overview - 2010

	Genco	Nuclearco	Transco	Disco	Holdco (Unconsolidated)	Eliminations	Total
Sales of power							
In-province	\$1	\$-	\$-	\$1,206	\$-	\$-	\$1,207
Out-of-province	218	11	-	-	-	-	229
Inter-company	1,006	175	-	6	-	(1,187)	-
Transmission	6	1	84	-	-	-	91
Miscellaneous	10	1	9	39	-	-	59
Other inter-company	2	-	17	3	76	(98)	-
Gain on mark to market of derivative asset	49	-	-	-	-	-	49
Total revenues	1,292	188	110	1,254	76	(1,285)	1,635
Fuel and purchased power	869	-	-	1,201	-	(1,183)	887
Transmission	34	2	-	59	-	(9)	86
Operations, maintenance and administration	138	161	49	119	72	(92)	447
Amortization and decommissioning	109	32	19	37	2	-	199
Taxes	14	6	8	11	1	-	40
Finance charges	99	(13)	12	34	1	(1)	132
Regulatory deferral	-	-	-	(147)	-	-	(147)
Impairment of long-term asset	161	-	-	-	-	-	161
Special payments in lieu of income taxes (recovery)	(41)	-	7	(19)	-	-	(53)
Total expenses	1,383	188	95	1,295	76	(1,285)	1,752
Net (loss) earnings	\$(91)	\$-	\$15	\$(41)	\$-	\$-	\$(117)
Total assets	\$1,794	\$1,998	\$402	\$1,320	\$555	\$(690)	\$5,379
Capital expenditures (net of customer contributions)	\$26	\$256	\$19	\$50	\$5	\$-	\$356

Financial Overview – 2009

	Genco	Nuclearco	Transco	Disco	Holdco (Unconsolidated)	Eliminations	Total
Sales of power							
In-province	\$3	\$-	\$-	\$1,216	\$-	\$-	\$1,219
Out-of-province	208	9	-	-	-	-	217
Inter-company	1,177	175	-	7	-	(1,359)	-
Transmission	6	1	82	-	-	-	89
Miscellaneous	22	2	11	38	-	-	73
Other inter-company	1	-	18	3	79	(101)	-
Gain on mark to market of derivative asset	(145)	-	-	-	-	-	(145)
Total revenues	1,272	187	111	1,264	79	(1,460)	1,453
Fuel and purchased power	865	-	-	1,358	-	(1,354)	869
Transmission	29	2	-	60	-	(9)	82
Operations, maintenance and administration	128	147	48	115	66	(89)	415
Amortization and decommissioning	94	32	19	36	5	-	186
Taxes	16	7	8	11	1	-	43
Finance charges	93	(1)	12	37	7	(8)	140
Regulatory deferral	-	-	-	(386)	-	-	(386)
Special payments in lieu of income taxes	15	-	8	11	-	-	34
Total expenses	1,240	187	95	1,242	79	(1,460)	1,383
Net earnings (loss)	\$32	\$-	\$16	\$22	\$-	\$-	\$70
Total assets	\$2,415	\$1,694	\$405	\$1,377	\$467	\$(1,168)	\$5,190
Capital expenditures (net of customer contributions)	\$32	\$332	\$24	\$49	\$1	\$-	\$438

31. SUBSEQUENT EVENT

In April 2010 the Group announced an early retirement package for non-union employees. The Group expects approximately 120 employees to be eligible and accept the package. The cost of the package will be recognized in 2010/11 and is expected to be approximately \$17 million.

Statement of Generation

(millions of kWh)	2009/10	2008/09	2007/08	2006/07	2005/06
Hydro	3,221	3,172	2,781	3,124	3,802
Thermal	6,303	8,089	7,262	8,125	10,001
Nuclear	-	-	4,393	4,696	4,695
Combustion turbine	1	3	1	1	9
Purchases	6,772	5,295	3,909	3,092	1,898
Gross generation and purchases	16,297	16,559	18,346	19,038	20,405
Station service	491	535	794	858	961
Net generation and purchases	15,806	16,024	17,552	18,180	19,444
Losses - transformer and transmission	647	757	645	673	504
Total energy available for distribution	15,159	15,267	16,907	17,507	18,940

Statement of Sales

(millions of kWh)	2009/10	2008/09	2007/08	2006/07	2005/06
Wholesale	1,145	1,207	1,207	1,176	1,174
Industrial	4,164	4,362	5,589	5,976	5,577
General service	2,304	2,372	2,369	2,291	2,264
Residential	4,857	5,036	5,010	4,824	4,797
Street lights	75	75	75	75	75
Total in-province sales	12,545	13,052	14,250	14,342	13,887
Interconnections	2,326	1,891	2,327	2,815	4,682
Total sales	14,871	14,943	16,577	17,157	18,569
Distribution losses	288	324	330	350	371
Total energy distributed and sold	15,159	15,267	16,907	17,507	18,940

Statement of Revenue

(in millions)	2009/10	2008/09	2007/08	2006/07	2005/06
Wholesale	\$96	\$98	\$94	\$87	\$82
Industrial	294	307	362	350	310
General service	254	250	248	225	213
Residential	540	539	519	470	436
Street lights and energy imbalance	23	25	14	14	15
Total in-province sales of power	1,207	1,219	1,237	1,146	1,056
Interconnections	229	217	196	215	379
Sales of power	1,436	1,436	1,433	1,361	1,435
Gain (loss) on mark-to-market of long-term receivable	49	(145)	93	-	-
Miscellaneous ¹	59	73	99	67	73
Transmission revenue ¹	91	89	87	84	77
Total revenue	\$1,635	\$1,453	\$1,712	\$1,512	\$1,585

¹ Certain comparative figures have been reclassified to conform to the current year's presentation

Statement of In-province Generation ²

(millions of kWh)	2009/10	2008/09	2007/08	2006/07	2005/06
Hydro	3,205	3,149	2,698	2,891	3,313
Coal and petroleum coke	2,952	3,515	3,189	2,756	2,387
Heavy fuel oil	1,851	3,201	2,466	2,632	1,527
Orimulsion	-	-	-	383	1,388
Nuclear	-	-	3,871	4,142	4,146
Combustion turbine	-	-	-	-	-
Purchases	5,193	4,204	2,938	2,529	1,817
Net generation and purchases	13,201	14,069	15,162	15,333	14,578
Losses - transformer and transmission	647	757	645	673	504
Total energy available for distribution	12,554	13,312	14,517	14,660	14,074

Peak Demand and Capacity

(MW)	2009/10	2008/09	2007/08	2006/07	2005/06
System net generating capacity	3,194	3,194	3,932	3,932	3,932
Firm capacity purchases	400	402	402	402	402
Total available resources	3,594	3,596	4,334	4,334	4,334
In-province system net peak demand	2,870	3,167	2,992	3,160	2,799
Exports at system peak load	445	419	447	356	355
Operating reserve	231	178	508	512	561
Total requirement	3,546	3,764	3,947	4,028	3,715

Operating Statistics

	2009/10	2008/09	2007/08	2006/07	2005/06
Transmission lines - km	6,841	6,829	6,780	6,703	6,703
Distribution lines - km	20,595	20,397	20,284	20,030	20,045
Residential customers	312,779	309,623	306,383	303,177	300,134
Industrial customers	1,898	1,904	1,915	1,920	1,843
General service customers	25,113	24,984	24,798	24,665	24,426
Non-metered customers	2,632	2,486	2,417	2,345	2,368
Direct customers	342,422	338,997	335,513	332,107	328,771
Indirect customers	41,474	41,685	41,451	41,100	41,889
Total customers	383,896	380,682	376,964	373,207	370,660
Positions - regular	2,509	2,477	2,474	2,428	2,380
Positions - temporary	164	198	159	91	85
Positions - NB Coal Limited	-	54	66	69	69
Total positions ³	2,673	2,729	2,699	2,588	2,534

² For the period post restructuring (October 1, 2004), the table only reflects energy supplied by the NB Power Group and does not reflect energy purchases made by the System Operator for in-province supply.

³ Refers to positions based on the Plan of Establishment. Annual reports prior to 2006/07 have reported number of employees.

Income Statement Summary

(in millions)	2009/10	2008/09	2007/08	2006/07	2005/06
In-province sales of power	\$1,207	\$1,219	\$1,237	\$1,146	\$1,056
Out-of-province sales of power	229	217	196	215	379
Miscellaneous revenue *	59	73	99	67	73
Gain (loss) on mark-to-market of long-term receivable	49	(145)	93	-	-
Transmission revenue *	91	89	87	84	77
Total fuel and purchased power	887	869	585	560	512
Transmission expenses	86	82	85	85	86
Operations, maintenance and administration	447	415	397	389	373
Regulatory deferral	(147)	(386)	73	-	-
Amortization and decommissioning	199	186	216	220	217
Taxes, other than special payments in lieu of income taxes	40	43	43	49	47
Finance charges	132	140	175	180	199
Impairment of long-term asset	161	-	-	-	-
Special payments in lieu of income taxes	(53)	34	49	8	55
Net (loss) earnings	\$(117)	\$70	\$89	\$21	\$96

Balance Sheet Summary March 31

(in millions)	2009/10	2008/09	2007/08	2006/07	2005/06
Assets					
Current assets	\$613	\$736	\$622	\$411	\$384
Property, plant and equipment	3,702	3,585	3,310	3,405	3,280
Long-term assets	948	758	646	247	235
Other assets	116	111	96	88	70
Total assets	\$5,379	\$5,190	\$4,674	\$4,151	\$3,969

Liabilities and Shareholders' Equity					
Current liabilities	\$1,154	\$1,377	\$928	\$659	\$762
Long-term debt	3,481	3,051	2,879	2,869	2,655
Deferred liabilities	570	457	516	392	332
Shareholders' equity	174	305	351	231	220
Total liabilities and shareholders' equity	\$5,379	\$5,190	\$4,674	\$4,151	\$3,969

Cash Flow Summary

(in millions)	2009/10	2008/09	2007/08	2006/07	2005/06
Cash flow from operations	\$245	\$273	\$316	\$238	\$319
Change in working capital	(65)	(60)	(80)	13	(11)
Nuclear trust fund payments	(21)	(35)	(141)	(13)	(40)
Derivative assets	(64)	135	(93)	-	-
Regulatory deferrals	(166)	(390)	73	-	-
Other	(7)	(2)	(1)	(13)	(5)
Operating activities	(78)	(79)	74	225	263
Financing activities	326	466	219	71	(37)
Investing activities	(250)	(381)	(323)	(287)	(209)
Net cash (outflow) inflow	(2)	6	(30)	9	17
Cash & short-term investments					
Beginning of year	6	0	30	21	4
End of year	\$4	\$6	\$-	\$30	\$21

* Certain comparative figures have been reclassified to conform to the current year's presentation

Finance Charges

(in millions)	2009/10	2008/09	2007/08	2006/07	2005/06
Interest expense	\$197	\$193	\$192	\$198	\$197
Income from sinking funds, trust funds, and other	(22)	(21)	(16)	(14)	(10)
Debt portfolio management fee	26	22	21	20	20
Amortization of deferred debt costs	3	(2)	1	-	-
Foreign exchange (gain) or loss	4	(11)	5	(2)	2
Interest deferred	(16)	(4)			
Interest capitalized	(60)	(38)	(28)	(22)	(10)
Net finance charges	\$132	\$140	\$175	\$180	\$199

Financial Ratios

	2009/10	2008/09	2007/08	2006/07	2005/06
Operating margin ⁵	-3.9%	15.3%	17.1%	12.5%	20.8%
Cash flow from operations / capital expenditures ⁶	0.69	0.62	0.77	0.79	1.53
Cash flow from operations / total debt	0.06	0.07	0.09	0.07	0.10
Debt / capital ⁷	96%	93%	91%	93%	93%
Interest coverage ratio ⁸	(0.19)	1.26	1.60	1.03	1.74

Other Statistics

	2009/10	2008/09	2007/08	2006/07	2005/06
Rate increase	3.0%	3.0%	5.9%	6.9%	6.1% ⁹
CPI (New Brunswick)	0.7%	1.7%	1.9%	1.7%	2.4%
GDP increases (New Brunswick) ¹⁰	-0.3%	1.0%	1.7%	2.4%	1.6%
Capital expenditures (millions) ¹¹	\$354	\$440	\$409	\$287	\$209
Change in total debt (millions)	\$339	\$479	\$230	\$74	\$(26)
Per cent breakdown of long-term debt					
Canadian dollar	100%	100%	100%	100%	100%
US dollar ¹²	0%	0%	0%	0%	0%
Weighted average coupon interest rate	5.2%	5.5%	5.8%	6.0%	6.3%
Canadian Dollar - March 31	\$1.016	\$0.794	\$0.973	\$0.866	\$0.857

⁵ Operating margin = (net income before finance charges - debt portfolio management fee) / total revenue

⁶ Capital expenditures are net of proceeds on disposal and customer contributions

⁷ Debt ratio = (debt) / (debt + equity), where debt = (long-term debt + short-term indebtedness)

⁸ Interest coverage ratio = [net income before finance charges + (income from sinking funds, trust funds, and other investments - debt portfolio management fee)] / (interest expense)

⁹ Reflects an overall 2.5 per cent rate increase in April 2004 (pre-restructuring) and an overall 3.0 per cent rate increase in March 2005 (post-restructuring)

¹⁰ In its 2009/10 budget documents, the Provincial Government restated its GDP growth rates for the past years

¹¹ Capital expenditures are net of proceeds on disposal and customer contributions

¹² All U. S. denominated debt was transferred to New Brunswick Electric Finance Corporation on October 1, 2004

Looking to the Future

Since 1925, NB Power has provided New Brunswick with a secure, reliable and competitively priced supply of electricity. Over the years, the supply mix has grown from a small 5 megawatt (MW) hydroelectric generating station in Musquash to one of the most diverse systems in North America.

NB Power's corporate mission, vision and values moving forward are as follows:

MISSION	VISION	VALUES
<i>Proudly Serve our Customers</i>	<i>Sustainable Electricity</i>	Safety Quality Innovation

NB Power's mission has been, and continues to be, customer focused while our values constantly evolve to enhance the relationships with customers and stakeholders. However, the electricity industry is changing, and as a result, we have changed our vision to reflect a new priority towards Sustainable Electricity.

The Canadian Electricity Association (CEA), defines sustainable electric utilities as those "pursuing innovative business strategies and activities that meet the needs of members, stakeholders and the communities in which we operate today, while protecting and enhancing the human and natural resources that will be needed in the future."

At NB Power, sustainability is factored into every decision and every plan for the future. It's about balancing efforts to deliver competitively priced electricity while maintaining long-term corporate health. It's about harnessing the power of renewable energy sources and safeguarding the environment by moving away from fossil fuels.

Sustainability represents goals embraced by NB Power as a company – protecting low rates, reducing the carbon footprint and being responsible to the communities in which employees work and live.

With this in mind, NB Power has renewed its focus on the three pillars of sustainability; the environment, society and the economy.

NB Power will continue to focus on identifying innovative environmental technologies that will benefit customers and further reduce its carbon footprint and deliver a diverse and sustainable mix of wind, hydro and nuclear energy to ensure stable power rates and supply.

The future strategic plan for NB Power will be one that moves towards a sustainable electricity future. The planning process to achieve this vision will evolve over time but starts with a snapshot into the future that reflects current conditions, assumptions and forecasts. Therefore, the plan will continually evolve as conditions change and as new sustainable opportunities emerge.

The strategic plan is an integrated resource plan (IRP) which considers the most efficient and economic way to meet future electricity requirements and to use electricity in homes and businesses. In other words, managing supply as well as demand are considered together to develop a least cost integrated resource plan that fulfills the vision of sustainable electricity to meet the needs of today and in the future. The IRP will be the lowest cost plan that ensures rates are as low as possible so that we can continue to provide value for our customers. The strategic plan will also move towards developing a sustainable electricity plan to ensure that future generations and future customers enjoy the same level of reliable and service at the lowest possible cost.

This IRP analysis is part of a continual process that requires periodic load and resource updates as conditions change and evolve over time provincially, nationally and even globally. It reflects the evolution of NB Power's corporate planning approach as it embarks on a strategy to more closely align the IRP development activities to the business planning process. It is intended that the plan be reviewed on an annual basis in collaboration with key stakeholders to reflect the latest industry developments and information. The plan will then be communicated to you... our customers.



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